



GOLDEN MEDITECH COMPANY LIMITED

金衛醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)

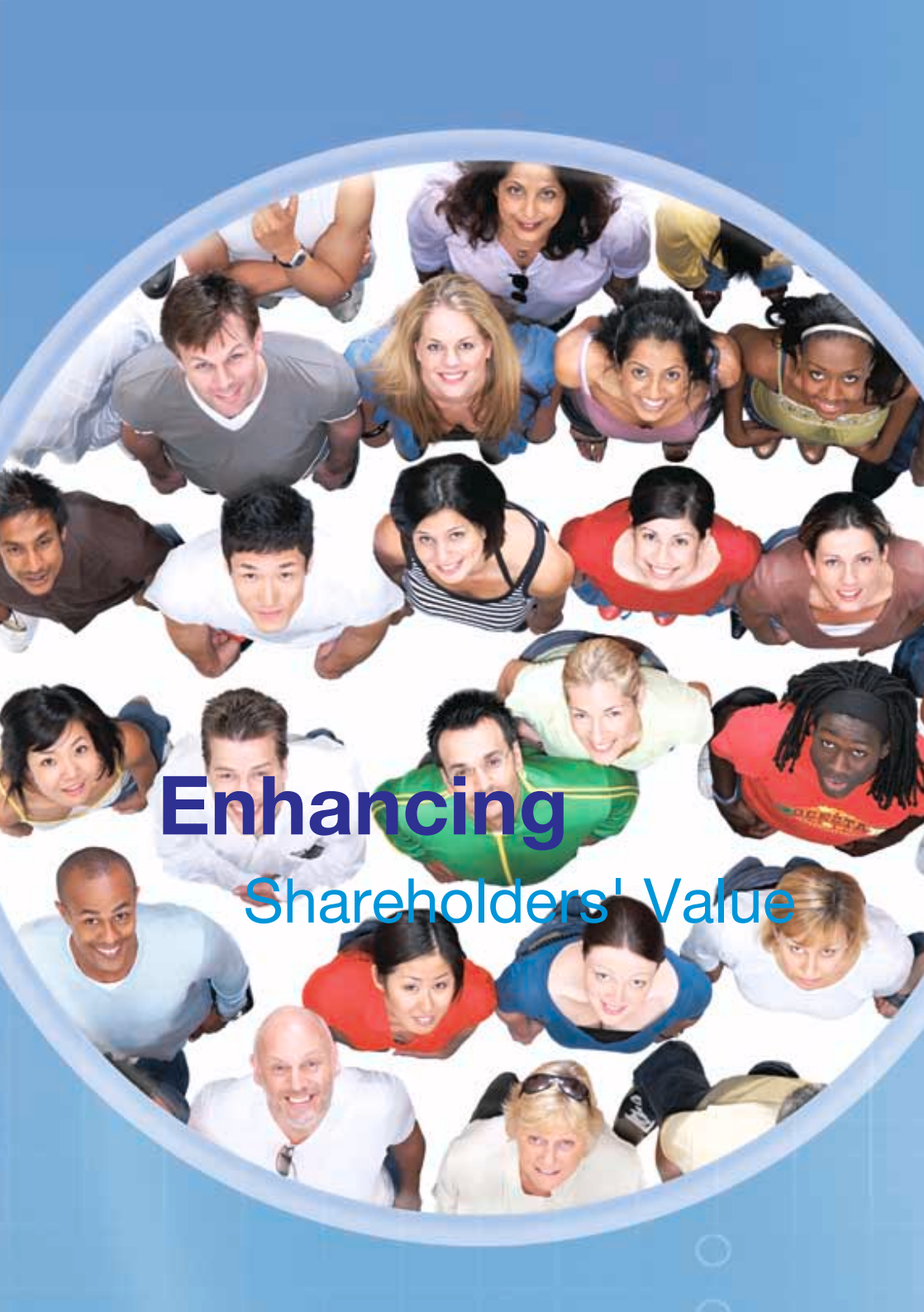
(Stock Code: 8180.HK)



INTERIM REPORT

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Enhancing
Shareholders' Value

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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 PROFILE

Golden Meditech Company Limited (the “Company” or “Golden Meditech”; stock code: 8180.HK), together with its subsidiaries (collectively referred to as the “Group”), is a leading healthcare corporation in China. Golden Meditech operates integrated healthcare businesses including medical devices, healthcare services and natural herbal medicines. The Group’s mission is to contribute to people’s health and welfare through the development and application of advanced medical technology, and devote to create value for its shareholders.

The Medical Device Segment is primarily engaged in the research and development, manufacture, sales of blood-related medical apparatuses and personal health monitoring devices. The segment’s major 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, and the new products, the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump. The segment has been engaged in the continuous development of pioneering technologies for blood recovery, purification, treatment and preservation and advanced medical equipment in collaboration with a number of research institutes.

The Healthcare Service Segment includes cord blood banking operation which provides examination, separation, processing, and storage services for blood stem cells extracted from the umbilical cord blood of newborn babies. The Company is the first and currently the largest private cord blood bank operator in China operating exclusively in Beijing and Guangdong Province. Aside from being used in treatments for blood diseases and immune system problems, the potentials offered by blood stem cells in other clinical applications are huge.

The Natural Herbal Medicine Segment is involved in the research and development, manufacture and sales of natural herbal medicines in China and Europe. It also owns one of the largest retail chain of healthcare products in England and Ireland.

The Strategic Investment Segment has a 37.8% equity interest in Union China National Medical Equipment Co., Ltd., the largest medical device distributor in China, and a 33.5% of equity interest in Pypo Digital Company Limited, a consumer electronic products distributor and retailer.

INTERIM FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited		Unaudited	
		For the three months		For the six months	
		ended 30 September		ended 30 September	
	Note	2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONTINUING OPERATIONS					
Turnover	2	136,479	101,343	241,109	190,036
Cost of sales		(38,308)	(27,340)	(70,866)	(53,532)
Gross profit		98,171	74,003	170,243	136,504
Other revenue	4	14,629	16,214	28,173	24,910
Other net income/(loss)	5	(12,520)	25,066	47,828	166,778
Selling expenses		(9,708)	(7,638)	(20,930)	(13,233)
Administrative expenses		(21,662)	(19,485)	(43,016)	(33,575)
Profit from operations		68,910	88,160	182,298	281,384
Finance costs	6(a)	(5,578)	(6,287)	(11,746)	(9,642)
Share of profits of associates		(3,768)	908	(6,240)	1,287
Share of profits of jointly-controlled entities		16,473	58,361	26,783	70,846
Profit before taxation	6	76,037	141,142	191,095	343,875
Income tax	7	(14,119)	(5,500)	(26,535)	(10,414)
Profit for the period from continuing operations		61,918	135,642	164,560	333,461
DISCONTINUED OPERATION					
Loss for the period from discontinued operation		—	(9,317)	—	(19,138)
Profit for the period		61,918	126,325	164,560	314,323

CONSOLIDATED INCOME STATEMENT *(continued)*

	Note	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Attributable to:					
Equity shareholders of the Company		48,072	120,951	146,676	304,154
Minority interests		13,846	5,374	17,884	10,169
		61,918	126,325	164,560	314,323
Earnings/(loss) per share	10				
Basic					
– from continuing and discontinued operations		3.13 cents	7.89 cents	9.52 cents	19.91 cents
– from continuing operations		3.13 cents	8.50 cents	9.52 cents	21.16 cents
– from discontinued operation		— cents	(0.61) cents	— cents	(1.25) cents
Diluted					
– from continuing and discontinued operations		3.06 cents	7.49 cents	9.34 cents	18.84 cents
– from continuing operations		3.06 cents	8.06 cents	9.34 cents	20.02 cents
– from discontinued operation		— cents	(0.57) cents	— cents	(1.18) cents

The notes on pages 10 to 34 form part of these interim financial statements.

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Non-current assets			
Fixed assets	11		
– Property, plant and equipment		390,571	347,274
– Interest in leasehold land held for own use under operating leases		4,345	4,299
		394,916	351,573
Intangible assets		85,805	85,488
Goodwill		67,169	67,169
Interests in associates		695,462	713,743
Interests in jointly-controlled entities		686,879	657,764
Available-for-sale equity securities		135,091	410,192
Other financial assets	12	753,433	481,819
Deferred tax assets		4,407	5,482
		2,823,162	2,773,230
Current assets			
Other investments		160,489	131,951
Other financial asset	12	35,594	—
Inventories	13	54,237	49,028
Trade receivables	14	216,911	161,241
Other receivables, deposits and prepayments		57,982	76,880
Cash and bank balances		799,583	997,747
		1,324,796	1,416,847
Current liabilities			
Trade payables	15	32,217	25,467
Other payables and accruals	16	82,214	158,375
Bank loans	17	25,000	9,000
Obligation under a finance lease		854	—
Current taxation		17,043	6,064
		157,328	198,906
Net current assets		1,167,468	1,217,941
Total assets less current liabilities		3,990,630	3,991,171

CONSOLIDATED BALANCE SHEET (continued)

	Note	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Non-current liabilities			
Deferred income		82,466	79,967
Other non-current liabilities		16,386	15,203
Government grant		153	222
Bank loans	17	345,586	342,815
Obligation under a finance lease		3,030	—
		<u>447,621</u>	<u>438,207</u>
NET ASSETS		<u>3,543,009</u>	<u>3,552,964</u>
CAPITAL AND RESERVES			
Share capital	18	153,694	154,352
Reserves		<u>3,055,626</u>	<u>3,078,546</u>
Total equity attributable to equity shareholders of the Company		3,209,320	3,232,898
Minority interests		<u>333,689</u>	<u>320,066</u>
TOTAL EQUITY		<u>3,543,009</u>	<u>3,552,964</u>

The notes on pages 10 to 34 form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to equity shareholders of the Company												
	Capital						Capital reserve	Fair value reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
	Share capital	Share premium	Share redemption reserve	Merger reserve	Exchange reserve	Surplus reserve							
HK\$'000	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 2008	154,352	1,018,875	4,908	54,193	207,126	78,828	13,388	157,906	(4,670)	1,547,892	3,232,898	320,066	3,552,964
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	—	(11,084)	—	—	(11,084)	(9,672)	(20,756)
Transfer to profit or loss on disposal of available-for-sale equity securities	—	—	—	—	—	—	—	(81,405)	—	—	(81,405)	—	(81,405)
Transfer to profit or loss on reclassification of available-for-sale equity securities	—	—	—	—	—	—	—	(81,066)	—	—	(81,066)	—	(81,066)
Shares repurchased and cancelled	(658)	(14,780)	658	—	—	—	—	—	—	(658)	(15,438)	—	(15,438)
Equity-settled share-based transactions	—	—	—	—	—	—	66	—	—	—	66	66	132
Exchange differences	—	—	—	—	18,673	—	—	—	—	—	18,673	5,345	24,018
Profit for the period	—	—	—	—	—	—	—	—	—	146,676	146,676	17,884	164,560
As at 30 September 2008	<u>153,694</u>	<u>1,004,095</u>	<u>5,566</u>	<u>54,193</u>	<u>225,799</u>	<u>78,828</u>	<u>13,454</u>	<u>(15,649)</u>	<u>(4,670)</u>	<u>1,694,010</u>	<u>3,209,320</u>	<u>333,689</u>	<u>3,543,009</u>
As at 1 April 2007	152,222	998,913	1,523	54,193	98,312	61,233	17,288	322,051	(173,998)	1,028,417	2,560,154	162,151	2,722,305
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	—	256,577	—	—	256,577	—	256,577
Transfer to profit or loss on disposal of available-for-sale equity securities	—	—	—	—	—	—	—	(262,554)	—	—	(262,554)	—	(262,554)
Issued of shares upon conversion of convertible bonds	5,263	101,205	—	—	—	—	(6,740)	—	—	—	99,728	—	99,728
Issue of shares for scrip dividend	242	8,187	—	—	—	—	—	—	—	—	8,429	—	8,429
Shares repurchased and cancelled	(21)	(533)	21	—	—	—	—	—	—	(21)	(554)	—	(554)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	62,713	—	62,713	116,172	178,885
Disposal of interests in a subsidiary	—	—	—	—	—	—	—	—	4,371	—	4,371	2,610	6,981
Equity-settled share-based transactions	—	—	—	—	—	—	3,747	—	—	—	3,747	—	3,747
Exchange differences	—	—	—	—	18,057	—	—	—	—	—	18,057	—	18,057
Profit for the period	—	—	—	—	—	—	—	—	—	304,154	304,154	10,169	314,323
Dividend	—	—	—	—	—	—	—	—	—	(47,189)	(47,189)	—	(47,189)
As at 30 September 2007	<u>157,706</u>	<u>1,107,772</u>	<u>1,544</u>	<u>54,193</u>	<u>116,369</u>	<u>61,233</u>	<u>14,295</u>	<u>316,074</u>	<u>(106,914)</u>	<u>1,285,361</u>	<u>3,007,633</u>	<u>291,102</u>	<u>3,298,735</u>

The notes on pages 10 to 34 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
For the six months
ended 30 September

	2008	2007
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	47,091	(177,934)
Net cash (outflow)/inflow from investing activities	(237,121)	32,649
Net cash outflow before financing	(190,030)	(145,285)
Net cash (outflow)/inflow from financing	(7,284)	358,333
Net (decrease)/increase in cash and cash equivalents	(197,314)	213,048
Cash and cash equivalents as at 1 April	997,747	688,226
Effect of foreign exchange rates changes	(850)	1,056
Cash and cash equivalents as at 30 September	<u>799,583</u>	<u>902,330</u>

The notes on pages 10 to 34 form part of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

(a) Basis of preparation

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.

(b) Accounting policies

Except as described below, 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 2008. The following new standards, amendments to standards or interpretations are mandatory for accounting periods beginning on or after 1 January 2008:

- HK(IFRIC) – Int 11 HKFRS 2 – Group and treasury share transactions;
- HK(IFRIC) – Int 12 Service concession arrangement;
- HK(IFRIC) – Int 14 HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the above HKFRSs has no material impact on the Group’s results of operation and financial position.

1. Basis of preparation and accounting policies *(continued)*

(b) Accounting policies (continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for the current reporting period:

- HKFRS 8 Operating segments;
- HKAS 23 (Amendment) Borrowing costs;
- HKFRS 2 (Amendment) Share-based payment;
- HKFRS 3 (Amendment) Business combinations and consequential amendments to HKAS 27;
- HKAS 1 (Amendment) Presentation of financial statements;
- HKAS 32 (Amendment) Financial instruments: presentation;
- HK(IFRIC) – Int 13 Customer loyalty programmes

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

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 examination, processing, separation and storage services and application-related services for blood stem cells ("Cord Blood Bank"), and the research and development, manufacture and sale of natural herbal medicines.

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

2. Turnover (continued)

Turnover recognised during the period may be analysed as follows:

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS				
Sales of ABRS Machines	60,382	59,079	109,544	109,089
Sales of Disposable Chambers	19,147	14,247	37,749	27,834
Cord Blood Bank services	56,950	28,017	93,816	53,113
	<u>136,479</u>	<u>101,343</u>	<u>241,109</u>	<u>190,036</u>
DISCONTINUED OPERATION				
Sales of natural herbal medicines	—	1,705	—	3,023
	<u>—</u>	<u>1,705</u>	<u>—</u>	<u>3,023</u>

3. Segment information

(i) Primary reporting format – business segments

The Group comprises the following main business segments:

- Medical Device Segment – the development, manufacture and sales of medical devices;
- Cord Blood Bank Segment – the provision of blood stem cells examination, processing, separation and storage and application-related services; and
- Natural Herbal Medicine Segment – the research and development, manufacture and sale of natural herbal medicines.

3. Segment information (continued)

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

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

	Unaudited			Consolidated
	For the six months ended			
	30 September 2008			
	HK\$'000			
	Continuing Operations	Discontinued Operation		
	Medical Device Segment	Cord Blood Bank Segment	Natural Herbal Medicine Segment	
Turnover	147,293	93,816	—	241,109
Segment results	98,772	41,967	—	140,739
Unallocated income and expenses				41,559
Profit from operations				182,298
Finance costs				(11,746)
Share of profits of associates and jointly-controlled entities				20,543
Profit before taxation				191,095
Taxation				(26,535)
Profit for the period				164,560
Attributable to:				
Equity shareholders of the Company				146,676
Minority interests				17,884
				164,560

3. Segment information (continued)

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

	Unaudited For the six months ended 30 September 2007 HK\$'000			
	Continuing Operations		Discontinued Operation	
	Medical Device Segment	Cord Blood Bank Segment	Natural Herbal Medicine Segment	Consolidated
Turnover	<u>136,923</u>	<u>53,113</u>	<u>3,023</u>	<u>193,059</u>
Segment results	<u>96,244</u>	<u>23,540</u>	<u>(19,138)</u>	100,646
Unallocated income and expenses				<u>161,600</u>
Profit from operations				262,246
Finance costs				(9,642)
Share of profits of associates and jointly-controlled entities				<u>72,133</u>
Profit before taxation				324,737
Income tax				<u>(10,414)</u>
Profit for the period				<u>314,323</u>
Attributable to:				
Equity shareholders of the Company				304,154
Minority interests				<u>10,169</u>
				<u>314,323</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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS				
Interest income	8,340	9,823	17,553	14,425
Dividend income	1,327	1,508	1,611	1,508
VAT refund (<i>Note</i>)	4,962	4,883	8,998	8,977
Sundry income	—	—	11	—
	<u>14,629</u>	<u>16,214</u>	<u>28,173</u>	<u>24,910</u>
DISCONTINUED OPERATIONS				
Interest income	—	—	—	6
	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>

Note:

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

5. Other net income/(loss)

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS				
Available-for-sale equity securities: transfer from equity on disposal	—	139,286	81,405	262,554
Net realised and unrealised gain/(loss) on trading securities and derivative	13,367	(113,331)	(5,138)	(95,411)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	580	—	(3,267)	—
Net exchange loss	(26,605)	(761)	(25,503)	(260)
Others	138	(128)	331	(105)
	<u>(12,520)</u>	<u>25,066</u>	<u>47,828</u>	<u>166,778</u>
DISCONTINUED OPERATION				
Others	—	7	—	7
	<u>—</u>	<u>7</u>	<u>—</u>	<u>7</u>

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Charging:				
(a) Finance costs:				
CONTINUING OPERATIONS				
Interest on bank loans and obligation under a finance lease wholly repayable within five years	5,363	5,636	11,316	8,087
Interest on convertible bonds	—	513	—	1,304
Other borrowing costs	215	138	430	251
	<u>5,578</u>	<u>6,287</u>	<u>11,746</u>	<u>9,642</u>
(b) Staff costs:				
CONTINUING OPERATIONS				
Salaries, wages and other benefits	12,379	8,367	25,228	16,128
Contributions to defined contribution plans	894	1,018	1,720	1,699
Equity-settled share-based payment expenses	—	2,714	132	3,747
	<u>13,273</u>	<u>12,099</u>	<u>27,080</u>	<u>21,574</u>
DISCONTINUED OPERATION				
Salaries, wages and other benefits	—	376	—	718
Contributions to defined contribution plans	—	372	—	241
	<u>—</u>	<u>748</u>	<u>—</u>	<u>959</u>

6. Profit before taxation (continued)

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
(c) Other items:				
CONTINUING OPERATIONS				
Cost of inventories	37,485	26,551	69,233	52,163
Amortisation of intangible assets	823	789	1,633	1,369
Depreciation	4,011	4,918	7,642	8,689
Operating lease charges				
– in respect of properties	2,912	2,009	5,220	3,548
– in respect of other assets	305	—	484	—
Research and development costs	1,065	1,801	2,287	2,184
DISCONTINUED OPERATION				
Cost of inventories	—	988	—	1,998
Amortisation of intangible assets	—	6,988	—	13,874
Depreciation	—	1,446	—	3,429
Research and development costs	—	268	—	634

7. Income tax

Taxation charged to the consolidated income statement represents:

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax – Outside Hong Kong				
PRC income tax for the period	14,119	5,500	26,535	10,414

(i) *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 accordance with the relevant tax rules and regulations in the PRC, Jingjing was fully exempted from PRC income tax for the two years ended 31 December 2003 and entitled to a 50% reduction of PRC income tax for the three years ended 31 December 2006. 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%.

Another subsidiary of the Group, 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 ending 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. Pursuant to the New Tax Law, the standard corporate income tax rate for enterprises in the PRC is reduced from 33% to 25% from 1 January 2008.

7. Income tax (continued)

(i) PRC income tax (continued)

Further, 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 the 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 the PRC income tax granted to Jiachenhong will be grandfathered and will continue to be granted to Jiachenhong until 31 December 2008. As a result of the New Tax Law and the Implementation Rules, current taxation for Jingjing and Jiachenhong has been accrued based on tax rates of 18% and 9% respectively for the six months ended 30 September 2008.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2008 (2007: Nil) as the Group did not have any profits assessable to Hong Kong Profits Tax during the period.

(iii) Cayman Islands Tax

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

8. Discontinued operation

On 19 December 2007, the Group entered into a sale and purchase agreement for the disposal of its entire equity interest in the Natural Herbal Medicine Segment to a third party company, China Healthcare Inc. ("CHI"), in exchange for a 40% equity interest in CHI. The transaction was completed on 31 December 2007. As a result of the transaction, the Group's Natural Herbal Medicine Segment has been classified as discontinued operation. Following the completion of the transaction, the Group's interest in CHI is recognised as interest in associates in the Group's consolidated financial statements.

(a) The results of the discontinued operation for the period:

		Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	Note	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	—	1,705	—	3,023
Cost of sales		—	(7,976)	—	(15,872)
Gross profit		—	(6,271)	—	(12,849)
Other revenue	4	—	—	—	6
Other net income	5	—	7	—	7
Selling expenses		—	(675)	—	(677)
Administrative expenses		—	(2,378)	—	(5,625)
Loss for the period		—	(9,317)	—	(19,138)
Attributable to:					
Equity shareholders of the Company		—	(9,317)	—	(19,138)
Minority interests		—	—	—	—
		—	(9,317)	—	(19,138)

8. Discontinued operation (continued)

(b) The net cash flows of the discontinued operation for the period:

	Unaudited	
	For the six months	
	ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash outflow from operating activities	—	4,951
Net cash outflow from investing activities	—	3,951
	<hr/>	<hr/>
Net cash outflow of the discontinued operation	—	8,902
	<hr/> <hr/>	<hr/> <hr/>

9. Dividend

	Unaudited		Unaudited	
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of nil (2007: HK3.1 cents per share)	—	47,189	—	47,189
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

10. Earnings/(loss) per share

(i) Basic earnings/(loss) per share

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

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
From continuing and discontinued operations				
Profit attributable to equity shareholders	<u>48,072</u>	<u>120,951</u>	<u>146,676</u>	<u>304,154</u>
From continuing operations				
Profit attributable to equity shareholders	<u>48,072</u>	<u>130,268</u>	<u>146,676</u>	<u>323,292</u>
From discontinued operation				
Loss attributable to equity shareholders	<u>—</u>	<u>(9,317)</u>	<u>—</u>	<u>(19,138)</u>
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	1,542,485	1,522,224	1,543,522	1,522,224
Effect of shares repurchased and cancelled	(4,629)	(93)	(2,873)	(47)
Effect of conversion of Convertible bonds	—	10,298	—	5,177
Effect of scrip dividend	—	79	—	40
Weighted average number of ordinary shares in issue	<u>1,537,856</u>	<u>1,532,508</u>	<u>1,540,649</u>	<u>1,527,394</u>

10. Earnings/(loss) per share (continued)*(i) Basic earnings/(loss) per share (continued)*

	Unaudited		Unaudited	
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
From continuing and discontinued operations				
Basic earnings per share (HK cents)	3.13	7.89	9.52	19.91
	<u><u>3.13</u></u>	<u><u>7.89</u></u>	<u><u>9.52</u></u>	<u><u>19.91</u></u>
From continuing operations				
Basic earnings per share (HK cents)	3.13	8.50	9.52	21.16
	<u><u>3.13</u></u>	<u><u>8.50</u></u>	<u><u>9.52</u></u>	<u><u>21.16</u></u>
From discontinued operation				
Basic loss per share (HK cents)	—	(0.61)	—	(1.25)
	<u><u>—</u></u>	<u><u>(0.61)</u></u>	<u><u>—</u></u>	<u><u>(1.25)</u></u>

10. Earnings/(loss) per share (continued)

(ii) Diluted earnings/(loss) per share

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

Profit attributable to equity shareholders of the Company (diluted)

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
From continuing and discontinued operations				
Profit attributable to equity shareholders	48,072	120,951	146,676	304,154
After tax effect of effective interest on liability component of convertible bonds	—	513	—	1,304
Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under the share option scheme of a subsidiary for nil consideration	(438)	(555)	(562)	(1,148)
Profit attributable to equity shareholders (diluted)	47,634	120,909	146,114	304,310
Attributable to:				
Continuing operations	47,634	130,226	146,114	323,448
Discontinued operation	—	(9,317)	—	(19,138)
	47,634	120,909	146,114	304,310

10. Earnings/(loss) per share (continued)

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

Weighted average number of ordinary shares (diluted)

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2008 '000	2007 '000	2008 '000	2007 '000
Weighted average number of ordinary shares at 30 September	1,537,856	1,532,508	1,540,649	1,527,394
Effect of conversion of convertible bonds	—	42,334	—	47,455
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	17,951	40,323	23,579	40,554
Weighted average number of ordinary shares (diluted) at 30 September	1,555,807	1,615,165	1,564,228	1,615,403
From continuing and discontinued operations				
Diluted earnings per share (HK cents)	3.06	7.49	9.34	18.84
From continuing operations				
Diluted earnings per share (HK cents)	3.06	8.06	9.34	20.02
From discontinued operation				
Diluted loss per share (HK cents)	—	(0.57)	—	(1.18)

11. Property, plant and equipment and interest 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 2008 are analysed as follows:

	Unaudited	
	Property, plant and equipment HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000
As at 1 April 2008	347,274	4,299
Exchange adjustments	3,558	97
Additions	49,133	—
Disposals	(1,803)	—
Depreciation/amortisation charge for the period	(7,591)	(51)
As at 30 September 2008	390,571	4,345

12. Other financial assets

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current		
Financial asset at fair value through profit or loss (Note (a))	35,594	—
Non-current		
Non-current trade receivable (Note (b))	45,392	28,122
Non-current prepayments (Note (c))	708,041	416,502
Financial asset at fair value through profit or loss (Note (a))	—	37,195
	753,433	481,819

Note (a) *Financial asset at fair value through profit or loss*

As at 30 September 2008, the Group held a structured deposit issued by a financial institution which has a two-year term and carries interest based on changes in an interest rate index which varies inversely with changes in market interest rates in the United States. The structured deposit is designated as at fair value through profit or loss, and stated at fair value with remeasurements to fair value recognised as other net income/(loss). An unrealised loss of HK\$1,601,000 has been credited to profit or loss for the six months ended 30 September 2008.

Note (b) *Non-current trade receivables*

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Non-current trade receivables	45,752	28,474
Less: Allowance for doubtful debts	(360)	(352)
	45,392	28,122

The Group offers its customers various payment terms for provision of blood stem cell storage facilities services. The amount represents instalments receivable from the rendering of blood stem cell examination and processing services, which is stated at amortised cost with an effective interest rate of 3.16% (31 March 2008: 3.16%) per annum. The amount receivable within twelve months from the balance sheet date is included under current assets.

Note (c) *Non-current prepayments*

Included in non-current prepayments of the Group as at 30 September 2008 are deposits of HK\$687,309,000 for healthcare projects including the proposed acquisition of a 60% equity interest in an entity, which possesses the management rights to two hospitals in the PRC.

13. Inventories

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Raw materials	11,026	9,087
Work in progress	2,210	4,485
Finished goods	41,001	35,456
	<hr/>	<hr/>
	54,237	49,028
	<hr/> <hr/>	<hr/> <hr/>

Included in finished goods are preservation costs related to cord blood stem cells of HK\$27,591,000 (31 March 2008: HK\$28,159,000). 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.

14. 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 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 6 months	196,053	158,577
Between 7 to 12 months	18,784	1,400
Over 1 year	2,074	1,264
	<hr/>	<hr/>
	216,911	161,241
	<hr/> <hr/>	<hr/> <hr/>

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

15. Trade payables

The Group is normally granted credit terms of 1 to 3 months by its suppliers.

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

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Due within 3 months or on demand	32,217	25,467

16. Other payables and accruals

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Deferred income	19,560	17,071
Derivative financial instruments (<i>Note</i>)	—	66,021
Other payables and accruals	62,654	75,283
	82,214	158,375

Note: The amount represents the fair value of all derivative financial instruments in connection with the hedging of the available-for-sale equity securities. As at 30 September 2008, there was no derivative financial instruments outstanding.

17. Bank loans

As at 30 September 2008, the bank loans were repayable as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 1 year or on demand	25,000	9,000
After 2 years but within 5 years	345,586	342,815
	370,586	351,815

As at 30 September 2008, the bank loans were secured as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Secured bank loans	113,327	110,791
Unsecured bank loan	257,259	241,024
	370,586	351,815

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 2008	Audited 31 March 2008
US Dollars	USD30,000,000	USD30,000,000
Renminbi	RMB100,000,000	RMB100,000,000

18. Share capital

	Unaudited 30 September 2008		Audited 31 March 2008	
	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	1,543,522	154,352	1,522,224	152,222
Shares repurchased	(6,580)	(658)	(33,852)	(3,385)
Issue of shares upon conversion of convertible bonds	—	—	52,632	5,263
Issue of shares upon exercise of share options	—	—	100	10
Issue of shares for scrip dividend	—	—	2,418	242
End of period/year	1,536,942	153,694	1,543,522	154,352

During the period, a total of 6,580,000 ordinary shares of HK\$0.1 each were repurchased by the Company during the period at prices ranging from HK\$1.55 to HK\$2.64 per share. Accordingly, the issued share capital of the Company was reduced by the par value thereof. The aggregate price paid by the Company for these repurchases, before share repurchase expenses, was HK\$15,376,000. As disclosed in the consolidated statement of changes in equity, the premium paid on the repurchase of the shares of HK\$14,780,000, including related expenses of HK\$62,000 was charged to the share premium account, and HK\$658,000 was transferred from retained profits to the capital redemption reserve.

19. Commitments

(i) Capital commitments

Capital commitments outstanding as at 30 September 2008 not provided for in the financial statements were as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Contracted for	10,838	52,174

(ii) Operating lease commitments

As at 30 September 2008, the total future minimum lease payments under non-cancelable operating leases were payable as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 1 year	13,508	14,137
After 1 year but within 5 years	20,257	23,283
After 5 years	63,077	61,837
	96,842	99,257

(iii) Other commitments

As at 30 September 2008, other commitments outstanding were HK\$275,600,000, of which HK\$132,600,000 (equivalent to US\$17,000,000) was related to a further capital contribution to an unlisted private equity and HK\$143,000,000 was related to the proposed acquisition of a 60% equity interest in an entity which possesses management rights of two hospitals in the PRC.

20. Contingent liabilities

As at 30 September 2008, 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 2008, 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 2008 under the guarantees issued was the outstanding amount of the facilities drawn down by the jointly controlled entity of HK\$368,314,000. 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 HK\$Nil.

21. Post balance sheet event

On 3 November 2008, the Company has entered into a conditional agreement and plan of merger, conversion and share exchange (the "Agreement") with Pantheon China Acquisition Corp. ("Pantheon"), China Cord Blood Services Corporation ("CCBS") and the CCBS Selling Shareholders. The Agreement which provides for, among others; Pantheon's acquisition of 88.39% of the issued share capital in CCBS from the CCBS Selling Shareholders in exchange for Pantheon issuing an aggregate of 51,132,658 ordinary shares at an issue price of US\$6.05 per share to the CCBS Selling Shareholders, valuing the entire CCBS Group at US\$350,000,000. The spin-off is conditional upon the approval of shareholders of Pantheon, the approval of the shareholders of the Company, and the regulatory approvals from both Hong Kong and the U.S. Securities and Exchange Commission. Details of the transaction are set out in the Company's announcement dated 3 November 2008.

MANAGEMENT DISCUSSION & ANALYSIS

OVERALL BUSINESS REVIEW

Benefitting from the sustained growth of China's economy and the strong market dynamics of China's healthcare market, Golden Meditech Company Limited ("Golden Meditech" or "the Group") has not only sustained high growth of key businesses, but also made significant progress with the proposed overseas listing of the umbilical cord blood bank businesses and market expansion beyond China.

Driven by the continuous penetration of the umbilical cord blood bank services in Beijing and Guangdong Province and the sustained growth of the Autologous Blood Recovery System (ABRS) and consumables, the Group recorded total revenue of HK\$241,109,000 in the first half of financial year 2008/09, up 27% on a year-on-year basis. The Group's new products (the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump), are scheduled to make their debut in the third quarter of this financial year. The management believes that the new products will be able to make significant contribution to the Group in the future.

The Group's umbilical cord blood bank business (China Cordblood Bank Services Corporation, "CCBS"), has also made notable achievements in domestic market expansion and development of the Pan-Asia markets, as well as the proposed U.S. listing.

During the period under review, the Group enhanced its market penetration in Beijing and Guangdong Province and has witnessed a rapid growth of new customers. At the same time, the Group increased its strategic shareholding of Cordlife Ltd. (Stock Code: CBB.AX) listed on the Australia Stock Exchange and became CBB's single largest shareholder. This makes CCBS not only the largest cord blood bank operator in Southeast Asia, but also the world's largest in term of the total population serviceable under its umbrella.

It is also worth highlighting that the Group and the selling shareholders of CCBS have signed agreements with a blank check company Pantheon China Acquisition Corp. (“Pantheon”, listed on the OTC Bulletin Board) on the proposed sales of CCBS in exchange of Pantheon’s ordinary shares at an agreed valuation of the entire CCBS at US\$350 million. Once the proposed transaction is approved, CCBS will become Pantheon’s principal business and Pantheon will be able to pursue listing onto the New York Stock Exchange at any appropriate time. The Group’s jointly controlled company – Pypo Digital Company Limited is in the process of seeking overseas listing. Provided that the success of the abovementioned U.S. listings, Golden Meditech will become the first hi-tech healthcare company that contemplates the spin-off and listing of its operations overseas since the establishment of the Growth Enterprise Market in Hong Kong.

During the period under review, the Group has made steady progress with its bid to enter into China’s hospital services and management markets, to take advantage of the business opportunities arising from the China healthcare reforms. This move not only helps optimize the Group’s healthcare service portfolio, but also enhances the Group’s strategic position in China’s healthcare industry and strengthens its market leadership.

In September 2008, the Group was awarded the “Year 2008 Excellent Social Responsibilities Prize” among leading Chinese medical and pharmaceutical enterprises. The prize was granted jointly by the China Association of Medical and Pharmaceutical Enterprises and the People’s Daily in recognition of the Group’s special contribution to the whole society through its innovative products and services, participation in the social welfare and charity programs, and timely donations to earthquake-stricken areas in Sichuan province.

BUSINESS SEGMENT REVIEW

The Medical Device Segment

The Medical Device Segment reported revenue of HK\$147,293,000 in the first half of this year, an increase of 8% over the same period last year. The Segment's operating profit before interest and tax increased by 3% to HK\$98,772,000. The sales of one-time disposable chambers have retained double-digit growth resulting from the widening adoption of ABRs among surgical operations, while the sales of ABRs devices have remained steady as the product has entered into a relatively mature stage.

Besides, the two new devices, namely, the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump are scheduled for launch in the third quarter of this year. Leveraging on the Group's nationwide hospital client base, distribution networks and expertise in technology commercialization, the management believes these two new products will be able to generate considerable revenue and profit contribution in the future.

During the Beijing 2008 Olympics Games, Beijing municipality introduced provisional traffic controls and tightened security measures and this eventually led to a one-off increase in the Segment's operating costs in the first half of this year.

As the result of the enactment of the new corporate income tax law, the corporate income tax rate applicable to the Medical Device Segment rose from 10% to 18% this year.

Healthcare Service Segment – Cord Blood Bank Services

Being a major force driving the Group's high growth, the Cord Blood Bank operations have made remarkable accomplishments in domestic expansion, overseas market development and the proposed spinoff for overseas listing. In the domestic market, the Segment witnessed strong and continuous market penetration in both Beijing and Guangdong Province and reported a turnover of HK\$93,816,000 in the first half of the year, representing an increase of 77% on a year-on-year basis. The division has now contributed up to 39% to the Group's total revenue. It is also worth noting that the division's turnover reached HK\$56,950,000 in the second quarter of this year, an increase of 54% from that in the first quarter. This also represents an increase of 103% in a year-on-year basis. The management believes that the division will maintain this robust growth momentum in the second half of this year.

The Group's new storage facilities in Guangdong Province were completed and put into operations in September as scheduled. The new storage facilities in Beijing are expected to be completed before the year end. These two new facilities will greatly enhance the Group's service quality and capacity in the regions they serve.

As a result of the enactment of the new tax law mentioned previously, the income tax rate applicable to the Beijing Cord Blood Bank increased from 7.5% to 9%, while the rate applicable to the Guangdong Cord Blood Bank decreased from 33% to 25%.

As part of its efforts to expand in the Pan-Asia markets, the Group, in October this year, through its subsidiary CCBS, increased its strategic shareholding in Cordlife Ltd., which is listed on the Australia Stock Exchange, to 18.9%, and became the latter's single largest shareholder at a consideration of 2.4 million Australian Dollars (equivalent to HK\$11.52 million).

Cordlife Ltd. not only owns an exclusive license for operating cord blood bank services in Indonesia and the only operating license issued to a foreign entity in India, but also has operations in other locations such as Hong Kong, Macau, Australia, Singapore, Thailand and the Philippines. The management believes that Asia is set to become the world's largest market of cord blood bank services with further development in India, Indonesia and other Asian states.

Regarding the proposed spin-off of CCBS, the Group and the selling shareholders of CCBS have signed agreements with a blank check company Pantheon to sell approximately 88% issued shares of CCBS in exchange of Pantheon's ordinary shares. Pantheon will issue up to 51,132,658 ordinary shares to Golden Meditech and the selling shareholders of CCBS, with the newly issued shares set at an issuance price of US\$6.05 per share. So far, the Group has received conditional approval from the Stock Exchange of Hong Kong; however, the proposed transaction will be subject to, among others, approvals from the Company's Shareholders, the shareholders of Pantheon and the U.S. Securities Exchange Commission (SEC).

Once approved, CCBS will become the principal business of Pantheon. Pantheon will pursue listing on the New York Stock Exchange at any appropriate time thereafter. This will make Golden Meditech the first hi-tech healthcare company contemplating the spin-off and listing of its operations overseas since the establishment of the Growth Enterprise Market in Hong Kong. In addition, Golden Meditech will still hold about 50% of Pantheon shares indirectly and earn a disposal gain of about HK\$60 million from the proposed transaction.

The management believes that the proposed spin-off will not only help further accelerate the development of CCBS in both China and the Pan-Asia regions, thus enabling both the Group and CCBS to focus on their own markets, but also be able to generate long-term return to all Golden Meditech's shareholders.

Natural Herbal Medicine Segment

The Group's Natural Herbal Medicine Segment embraces retail chains of natural herbal medicines in the United Kingdom and Ireland, as well as integrated capabilities for research and development, production and sales of natural herbal medicines in China. With our European operation affected by the ongoing global credit crisis, the management has introduced the initiatives to lower operating costs and expand sources of revenue in order to maintain the Segment's steady growth.

Significant Events, Mergers and Acquisitions

Proposed Overseas Listing of Jointly Controlled Entity

During the period under review, the Group's jointly controlled entity – Pypo Digital Company Limited entered into a merger agreement with the blank check company - Middle Kingdom Alliance Corporation (listed on the OTC Bulletin Board). The newly merged company will issue new shares to take over all the shares of the Pypo Digital at a valuation of US\$378 million. After the transaction is completed, the former shareholders of Pypo Digital will hold 90.9% of the new entity, and the new company will pursue listing on NASDAQ. The completion of the proposed transaction is subject to approvals by the shareholders of Middle Kingdom Alliance Corporation and the U.S. SEC.

Hospital Management Business Acquisition

The Group expects to complete the acquisition of the hospital management group before the year end. The acquisition will not only generate strong and steady cash flows, but also create huge synergies between the Group's core businesses and the target Group, including, but not limited to optimising and strengthening the Group's businesses and strategic presence in China.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2008, all key business segments of the Group reported steady and healthy growth with total turnover reaching HK\$241,109,000, a 27% increase over the same period last year. Among the Group's major business segments, the Medical Device Segment remains the largest revenue contributor and generates 61% of the Group's total revenue. The Cord Blood Bank Segment under the Healthcare Service Segment maintained its high growth momentum over the past few years and accounted for 39% of the Group's total turnover for the period under review. The management believes that the Medical Device Segment will continue to bring stable and substantial revenue to the Group, while the turnover from the Cord Blood Bank Segment will continue to rise rapidly.

Gross profit margin

The Group's overall gross profit margin remained at 71% for the period under review.

Selling and administrative expenses

Total selling and administrative expenses of the Group for the first half of this year, was HK\$63,946,000, roughly 27% of the Group's total revenue. The increase of expenses was mainly due to the organic business development in all key operations and the management will take measures to control such expenses and keep it at a reasonable level.

Corporate income tax

Due to the new "Corporate Income Tax Law" coming into effect from 1 January 2008, the corporate income tax expense increased by 155% to HK\$26,535,000 in the first half of this year.

Profit attributable to the equity shareholders of the Group

In the first half of this year, profit attributable to equity shareholders of the Company was HK\$146,676,000, representing a drop of HK\$157,478,000 from that in the corresponding period of the previous financial year. To conclude, the main reasons for the drop of profits attributable to the equity shareholders are summarised as follows: First, other net income from investments was HK\$47,828,000 during the period under review, representing a significant decrease from the HK\$166,778,000 in the corresponding period of last year; Second, the corporate income tax expenses increased to HK\$26,535,000 because of the enactment of the new corporate tax law in the PRC; Third, due to the dilution effect, the profit contribution from the jointly controlled entity dropped from HK\$70,846,000 to HK\$26,783,000.

Share buybacks

The management is committed to maximizing the shareholders' value and increasing return to shareholders. During the period under review, the management mobilized a total of HK\$15,438,000 for the share buybacks to preserve the shareholders' value.

Liquidity and financial resources

As at 30 September 2008, the Group's cash and bank balances reached HK\$799,583,000 (31 March 2008: HK\$997,747,000). Total interest-bearing liabilities amounted to HK\$374,470,000 (31 March 2008: HK\$351,815,000), comprising mainly bank borrowings.

The Group's total current assets and total assets as at 30 September 2008 amounted to HK\$1,324,796,000 and HK\$4,147,958,000 respectively (31 March 2008: HK\$1,416,847,000 and HK\$4,190,077,000 respectively).

As at 30 September 2008, the total interest-bearing debt to total asset ratio was 9.0% (31 March 2008: 8.4%).

The Group has always maintained a sound financial position and will continue to maintain an appropriate capital structure to maximise its efficiency.

Charges on Group assets

As at 30 September 2008, the total net book value of the assets charged for bank loans was HK\$99,826,000 (31 March 2008: HK\$100,754,000).

Contingent liabilities

Please refer to note 20 to the interim financial statements.

Treasury policies

The Group adopts prudent treasury policies. On one hand, it performs ongoing credit evaluation of its customers to reduce exposure to credit risks. On the other hand, the management closely monitors the position to manage liquidity risks and to ensure the liquidity structure of the Group meet its funding requirements. Besides, the Group does not hold any financial derivative products as of 30 September 2008.

Employees

As at 30 September 2008, the Group, including subsidiaries but excluding associates and jointly controlled entities, employed 602 full-time employees in Hong Kong and the PRC. For the first half of the financial year, the Group incurred staff costs (including directors' emoluments and Mandatory Provident Fund) of HK\$27,080,000.

The Board of Directors believes that the Group's most important asset is its employees. In order to evince the Directors' gratitude for their contribution and to provide further incentives, staff members who demonstrate outstanding performance are rewarded with discretionary bonuses and share options.

PROSPECTS

Fully aware of the escalating uncertainties of the global economy resulting from the ongoing credit crisis, the management team has taken measures to address business challenges and sustain the Group's high-growth momentum. Being a leading healthcare corporation focusing on China market, Golden Meditech will continue to benefit from China's fast-growing economy, pending medical reform and greater-than-ever government expenditure on social medical insurance, in addition to the increasing public awareness of personal healthcare and the rising disposable income. All the Group's business segments will be able to take advantage of the structural growth opportunities brought by China's favourable economic environment, regulatory policies and industry dynamics and the expanding domestic demand. The management believes that the Group will be able to enhance profitability and maintain steady and strong cash flows. The Group will ensure the successful execution and implementation of all its determined corporate strategies, while cautiously looking into investment opportunities to strengthen its core businesses, and fulfil its commitment to enhancing shareholder value and returns.

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 2008, 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) The Company

Name of Directors	Capacity and nature of interests	Long positions/(Short position) Number of ordinary shares of HK\$0.1 each			Approximate percentage of the Company's issued share capital
		Corporate interests	Number of underlying shares held under equity derivatives	Total interests	
Mr. KAM Yuen	Interest of controlled corporation	433,916,000 ⁽¹⁾	—	433,916,000	28.23%
		(61,832,000) ⁽²⁾	—	(61,832,000)	(4.02%)
	Beneficial owner	—	63,206,245 ⁽³⁾	63,206,245	4.11%
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 2008.
- (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) China Stem Cells Holdings Limited ("CSC"), a subsidiary of the Company

Name of Directors	Capacity and nature of interests	Number of ordinary shares of US\$1 each		Approximate percentage of the issued share capital of CSC
		Number of underlying shares held under equity derivatives	Total interests	
Mr. KAM Yuen	Beneficial owner	10,000 ⁽¹⁾	10,000	0.62%
Ms. ZHENG Ting	Beneficial owner	30,000 ⁽¹⁾	30,000	1.85%

Note:

- (1) 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 2008, 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 of the Company

- Principal terms of the share option schemes of the Company are set out in note 36(a) to the financial statements as included in the annual report of the Company for the year ended 31 March 2008.
- A summary of movements of share options under the share option schemes of the Company for the six months ended 30 September 2008 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 2008	Number of underlying shares in respect of which share options were outstanding as at 30 Sept. 2008	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⁾	11,870,000	11,870,000	1.60
		77,476,245	77,476,245	

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 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 2008.

(b) **Share option scheme of CSC**

1. The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme (the "CSC Scheme") by CSC. The CSC Scheme became effective on 21 September 2006 (the "Effective Date").
2. A summary of movements of share options under the CSC Scheme for the six months ended 30 September 2008 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 2008	Number of underlying shares in respect of which share options were outstanding as at 30 September 2008	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 after 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) No share options granted under the CSC Scheme were exercised, cancelled or lapsed during the period ended 30 September 2008.

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 2008, 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 are as follows:

(a) Long position/(Short position) of substantial shareholders

Name	Capacity and nature of interests	Number of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden ⁽¹⁾	Beneficial owner	433,916,000 (61,832,000)	28.23% (4.02%)
Mr. Kent C. McCarthy ⁽²⁾	Interest of controlled corporation	342,782,419	22.30%
Jayhawk China Fund (Cayman), Ltd. ⁽²⁾	Investment manager	185,536,735	12.07%

(b) **Long position 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	Number of issued shares	Approximate percentage of the Company's issued share capital
Martin Currie (Holdings) Limited	Interest of controlled corporation	114,848,000	7.47%
Wellington Management Company, LLP	Investment manager	77,278,000	5.03%

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 2008.
- (2) The interests disclosed by Mr. Kent C. McCarthy include 185,536,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.

Save as disclosed above, as at 30 September 2008, 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 2008, the Company repurchased 6,580,000 shares on the Stock Exchange as follows:

Month of purchase	Number of shares repurchased	Price per share		Aggregate price paid <i>HK\$</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
June 2008	1,036,000	2.64	2.52	2,703,000
July 2008	4,880,000	2.60	2.13	11,582,000
September 2008	664,000	1.80	1.55	1,091,000

The issued share capital of the Company was reduced by the par value of the repurchased shares. The premium paid for the repurchase of the shares and the related expenses were charged to the extent of HK\$14,780,000 to the share premium account and HK\$658,000 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 2008.

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 2008, except for A.2.1. The following summarises the requirements under the relevant Code Provisions 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, 3 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.

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 2008.

By order of the Board

KAM Yuen
CHAIRMAN

HONG KONG, 12 November 2008

GLOSSARY

Terms used

Brief description

General

Company	Golden Meditech Company Limited.
Group	Golden Meditech Company Limited, together with its subsidiaries.
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.
Associate	A company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.
Jointly Control Entity	A company which operates under a contractual arrangement between the Group and other parties, where the contractual agreement establishes that the Group and one or more of the other party share joint control over the economic activity of the company.
Director(s)	The director(s) of the Company.
PRC/China	The People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
Stock Exchange	The Stock Exchange of Hong Kong Limited.
GEM	The Growth Enterprise Market operated by the Stock Exchange.
HK\$	The Hong Kong dollar, the currency of Hong Kong.

RMB	Chinese Renminbi Yuan, the currency of China.
SFDA	The State Food and Drug Administration of China.
Shareholder(s)	Holder(s) of Shares.
Shares	Ordinary shares of HK\$0.10 each in the capital of the Company.

Medical Device Segment

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 machine and the disposable chambers.
ABRS Machine	The machine of Autologous Blood Recovery System.
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

CSC	China Stem Cells Holdings Limited, an indirectly owned subsidiary of the Company. Its main operation is the provision of blood stem cell storage facilities and accessory services.
Blood stem cells	Hematopoietic stem cells, from which all hematopoietic and immune cell type 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 hematopoietic 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 medical institution offering extraction and banking services for cord blood hematopoietic 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.

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

Room 11, 7/F, Tower E1, Beijing Oriental Plaza

No.1 East Chang An Ave., Dong Cheng District

Beijing, 100738 China

Principal Place of Business in Hong Kong

48/F, Bank of China Tower

1 Garden Road

Central, Hong Kong

Stock Code

8180.HK

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

Authorized 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

Goldman Sachs (Asia) L.L.C.

Sumitomo Mitsui Banking Corporation

DBS Bank (Hong Kong) Limited

EFG Bank

CITIC Ka Wah Bank Limited

Bank of China (Hong Kong) Limited

Investor Relations Officer

Mr. Dennis Lu, Investor Relations Manager

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