



# 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)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2007

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## **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 hi-tech integrated healthcare corporation in China. Golden Meditech operates a diversified portfolio of highly successful healthcare businesses in China, which include: the research, development, manufacture and distribution of medical devices and personal healthcare products; the storage and application of blood stem cells extracted from umbilical cords of newborn babies; and the research, development and manufacture of Chinese 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 to create value for its shareholders.

Golden Meditech is pioneer in the field of healthcare in China. Its flagship medical device, the Autologous Blood Recovery System, is the first of its kind to receive State Food and Drug Administration (“SFDA”) approval for manufacture in China. The Group is also the first and the largest umbilical cord blood bank operator in China. Lastly, the Group’s TangHerb® is the first proprietary Chinese herbal medicine approved by the SFDA for alleviating common AIDS symptoms.

Golden Meditech’s chief competitive advantage is in identifying and capturing business opportunities with substantial growth potential in emerging segments of the healthcare market. With its nationwide medical device distribution network and longstanding relationships with healthcare providers, it has a strong track record in successfully commercializing new products and services. Through research and development, and investment and acquisitions, Golden Meditech aims to become the world’s leading hi-tech integrated healthcare corporation.

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months ended December 31, 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

	Note	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
		2007	2006	2007	2006
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>					
Turnover	2	112,341	88,283	302,377	240,039
Cost of sales		(33,034)	(23,874)	(86,566)	(66,746)
Gross profit		79,307	64,409	215,811	173,293
Other revenue	4	12,316	11,790	37,226	34,840
Other net income	5	112,366	10,756	279,144	11,139
Selling expenses		(8,229)	(4,162)	(21,462)	(12,993)
Administrative expenses		(17,170)	(12,506)	(50,745)	(35,800)
Profit from operations		178,590	70,287	459,974	170,479
Finance costs		(427)	(2,808)	(10,069)	(8,338)
Gain on deemed disposal of a jointly-controlled entity	6	37,700	—	37,700	—
Share of profits of associates and a jointly-controlled entity		534	27,960	72,667	51,736
Profit before taxation		216,397	95,439	560,272	213,877
Income tax	7	(7,118)	(4,022)	(17,532)	(10,239)
Profit for the period from continuing operations		209,279	91,417	542,740	203,638
<b>DISCONTINUED OPERATION</b>					
Loss for the period from discontinued operation	8	(10,789)	(5,750)	(29,927)	(21,613)
Profit for the period		198,490	85,667	512,813	182,025

	Note	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
Attributable to:					
Equity shareholders of the Company		<b>190,242</b>	83,284	<b>494,396</b>	174,474
Minority interests		<b>8,248</b>	2,383	<b>18,417</b>	7,551
		<b>198,490</b>	85,667	<b>512,813</b>	182,025
Earnings/(loss) per share	10				
- Basic					
From continuing and discontinued operations		<b>12.06 cents</b>	5.50 cents	<b>32.02 cents</b>	11.63 cents
From continuing operations		<b>12.75 cents</b>	5.87 cents	<b>33.96 cents</b>	12.94 cents
From discontinued operation		<b>(0.69) cents</b>	(0.37) cents	<b>(1.94) cents</b>	(1.31) cents
- Diluted					
From continuing and discontinued operations		11.72 cents	5.26 cents	30.55 cents	11.23 cents
From continuing operations		12.38 cents	5.61 cents	32.41 cents	12.47 cents
From discontinued operation		(0.66) cents	(0.35) cents	(1.86) cents	(1.24) cents

The notes on pages 6 to 20 form part of the third quarterly results.

## NOTES TO THE THIRD QUARTERLY RESULTS

### 1. Basis of preparation and accounting policies

The unaudited consolidated results of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results have been prepared under historical cost convention except for certain financial instruments, which are measured at fair values. All intra-group transactions and balances have been eliminated in preparing these results.

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the consolidated annual financial statements of the Group for the year ended March 31, 2007, except in relation to the following new and revised HKFRSs that affect the Group and are adopted by the Group for the first time for the current period’s financial statements:

HKFRS 7	Financial instruments: disclosures
Amendments to HKAS 1	Presentation of financial statements: capital disclosure

The adoption of the above HKFRSs has had no material impact on the Group’s results of operations or financial position.

## 2. Turnover

The Group is principally engaged in the manufacture and sales of autologous blood recovery machines (“ABRS Machines”) and the disposable blood processing chambers and related accessories (“Disposable Chambers”), and the provision of examination, processing, separation and storage services and application-related services for blood stem cells (“Cord Blood Bank”).

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.

Turnover recognized during the period may be analyzed as follows:

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the three months</b>		<b>For the nine months</b>	
	<b>ended December 31</b>		<b>ended December 31</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<i>(Restated)</i>		<i>(Restated)</i>
<b>CONTINUING OPERATIONS</b>				
Sales of ABRS Machines	<b>58,625</b>	58,328	<b>167,714</b>	156,127
Sales of Disposable Chambers	<b>15,128</b>	12,872	<b>42,962</b>	36,848
Cord Blood Bank services	<b>38,588</b>	17,083	<b>91,701</b>	47,064
	<u><b>112,341</b></u>	<u>88,283</u>	<u><b>302,377</b></u>	<u>240,039</u>
<b>DISCONTINUED OPERATION</b>				
Sales of Chinese herbal medicines	<u><b>2,268</b></u>	<u>4,221</u>	<u><b>5,291</b></u>	<u>8,478</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
- Chinese Herbal Medicine Segment - the research and development, manufacture and sales of Chinese herbal medicines.

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

<b>Unaudited</b>				
<b>For the nine months ended</b>				
<b>December 31, 2007</b>				
<b>HK\$'000</b>				
	<b>Continuing Operations</b>	<b>Discontinued Operation</b>		
	<b>Medical Device Segment</b>	<b>Cord Blood Bank Segment</b>	<b>Chinese Herbal Medicine Segment</b>	<b>Consolidated</b>
Turnover	<b>210,676</b>	<b>91,701</b>	<b>5,291</b>	<b>307,668</b>
Segment results	<b>145,634</b>	<b>43,111</b>	<b>(29,927)</b>	<b>158,818</b>
Unallocated income less costs				<b>271,229</b>
Profit from operations				<b>430,047</b>
Finance costs				<b>(10,069)</b>
Share of profits of associates and a jointly-controlled entity				<b>72,667</b>
Gain on deemed disposal of a jointly-controlled entity				<b>37,700</b>
Profit before taxation				<b>530,345</b>
Income tax				<b>(17,532)</b>
Profit for the period				<b>512,813</b>

### 3. Segment information (continued)

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

	Unaudited			
	For the nine months ended			
	December 31, 2006			
	HK\$'000			
	Continuing	Discontinued		
	Operations	Operation		
		Cord	Chinese	
	Medical	Blood	Herbal	
	Device	Bank	Medicine	
	Segment	Segment	Segment	Consolidated
Turnover	192,975	47,064	8,478	248,517
Segment results	138,052	18,376	(21,611)	134,817
Unallocated income less costs				14,051
Profit from operations				148,868
Finance costs				(8,340)
Share of profits of an associate and a jointly-controlled entity				51,736
Profit before taxation				192,264
Income tax				(10,239)
Profit for the period				182,025

#### (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 December 31		Unaudited For the nine months ended December 31	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(Restated)</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(Restated)</i>
<b>CONTINUING OPERATIONS</b>				
Interest income	7,224	6,982	21,649	21,986
Dividend income	—	—	1,508	—
VAT refund ( <i>Note</i> )	4,837	4,808	13,814	12,854
Others	255	—	255	—
	<u>12,316</u>	<u>11,790</u>	<u>37,226</u>	<u>34,840</u>
<b>DISCONTIUED OPERATION</b>				
Interest income	6	4	12	7
Government grants	—	568	—	568
	<u>6</u>	<u>572</u>	<u>12</u>	<u>575</u>

*Note:*

Pursuant to the relevant PRC 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

	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>				
Available-for-sale equity securities:				
– transfer from equity on disposal	114,489	—	377,043	—
– net realized and unrealized loss on derivative financial instruments	(2,549)	—	(102,892)	—
Net realized and unrealized gain on trading securities	1,530	10,110	6,462	10,493
Net exchange (loss)/gain	(1,038)	—	(1,305)	—
Others	(66)	646	(164)	646
	<u>112,366</u>	<u>10,756</u>	<u>279,144</u>	<u>11,139</u>
<b>DISCONTINUED OPERATION</b>				
Net exchange loss	(15)	—	(8)	—
	<u>(15)</u>	<u>—</u>	<u>(8)</u>	<u>—</u>

## 6. Gain on deemed disposal of a jointly-controlled entity

In October 2007, the jointly-controlled entity of which the Group held a 50% equity interest entered into a conditional subscription agreement with an investor for the subscription of an approximately 33% of the enlarged issued share capital of the entity for a total cash consideration of US\$90,000,000. The net proceeds raised will be used to expand the retail business of electronic consumer products. The subscription was completed in mid November 2007. After the share issuance, the Group holds 33.5% of the entity and will continue to consolidate the results of the entity in the Group's consolidated financial statements. The Group reported a gain on deemed disposal of the jointly-controlled entity of HK\$37,700,000 during the period.

## 7. Income tax

Income tax charged to the consolidated income statement represents:

	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>CONTINUING OPERATIONS</b>				
Current tax - Outside Hong Kong				
PRC income tax for the period	<u>7,118</u>	<u>4,022</u>	<u>17,532</u>	<u>10,239</u>

## **7. Income tax (continued)**

### *(i) PRC income tax*

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

One of the subsidiaries was registered in the Beijing Economic and Technology Development Zone and hence enjoys a preferential income tax rate of 15%. In accordance with the relevant tax rules and regulations in the PRC, the subsidiary was fully exempted from PRC income tax for the two years ended December 31, 2003 and entitled to a 50% reduction of PRC income tax for the three years ended December 31, 2006. In 2007, the subsidiary was accredited as a "foreign-invested advanced technology enterprise" and was granted a reduction in income tax rate from 15% to 10% for the three years ending December 31, 2009.

Another subsidiary of the Group, which was also registered in the Beijing Economic and Technology Development Zone and subject to an income tax rate of 15%, was fully exempted from PRC income tax for the two years ended December 31, 2005 and entitled to a 50% reduction of PRC income tax for the three years ending December 31, 2008.

The rest of the Group's subsidiaries in the PRC are currently subject to PRC income tax at a rate of 33%. As a result of the new tax law, it is expected that the income tax rate applicable to these subsidiaries will be reduced from 33% to 25% from January 1, 2008.

### *(ii) Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax was made for the nine months ended December 31, 2007 (2006: Nil) as the Group did not have any profits assessable to Hong Kong Profits Tax during the period.

## **8. Discontinued operation**

On December 19, 2007, the Group entered into a sale and purchase agreement for the disposal of its entire interest in the Chinese Herbal Medicines Segment in exchange for a 40% equity interest of China Healthcare Inc. ("CHI"). The transaction was completed on December 31, 2007. Following the completion of the transaction, the Group holds 40% of the equity interests of CHI and accordingly CHI will be presented as an associated company in the Group's consolidated financial statements. Further details in relation to this transaction are set out in the Company's circular dated January 4, 2008.

## 8. Discontinued operation (continued)

The results of the discontinued operation for the three months and nine months ended December 31, 2007 and 2006 are as follows:

	Note	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	2,268	4,221	5,291	8,478
Cost of sales		(8,241)	(7,752)	(24,113)	(21,805)
Gross profit		(5,973)	(3,531)	(18,822)	(13,327)
Other revenue	4	6	572	12	575
Other net loss	5	(15)	—	(8)	—
Selling expenses		(808)	(30)	(1,485)	(177)
Administrative expenses		(3,999)	(2,760)	(9,624)	(8,682)
Loss from operations		(10,789)	(5,749)	(29,927)	(21,611)
Finance costs		—	(1)	—	(2)
Loss before taxation		(10,789)	(5,750)	(29,927)	(21,613)
Income tax		—	—	—	—
Loss for the period		(10,789)	(5,750)	(29,927)	(21,613)
Attributable to:					
Equity shareholders of the Company		(10,789)	(5,640)	(29,927)	(19,607)
Minority interests		—	(110)	—	(2,006)
		(10,789)	(5,750)	(29,927)	(21,613)

## 9. Dividend

	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the period, of HK3.1 cents per share (2006: Nil)	—	—	<b>47,189</b>	—

The Directors do not recommend the payment of an interim dividend for the nine months ended December 31, 2007 (2006: Nil).

## 10. Earnings per share

### (i) Basic earnings per share

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

	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>From continuing and discontinued operations</b>				
Profit attributable to equity shareholders	<u>190,242</u>	<u>83,284</u>	<u>494,396</u>	<u>174,474</u>
<b>From continuing operations</b>				
Profit attributable to equity shareholders	<u>201,031</u>	<u>88,924</u>	<u>524,323</u>	<u>194,081</u>
<b>From discontinued operation</b>				
Loss attributable to equity shareholders	<u>(10,789)</u>	<u>(5,640)</u>	<u>(29,927)</u>	<u>(19,607)</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>1,577,066</u>	<u>1,515,392</u>	<u>1,544,012</u>	<u>1,499,772</u>
<b>From continuing and discontinued operations</b>				
Basic earnings per share (HK cents)	<u>12.06</u>	<u>5.50</u>	<u>32.02</u>	<u>11.63</u>
<b>From continuing operations</b>				
Basic earnings per share (HK cents)	<u>12.75</u>	<u>5.87</u>	<u>33.96</u>	<u>12.94</u>
<b>From discontinued operation</b>				
Basic loss per share (HK cents)	<u>(0.69)</u>	<u>(0.37)</u>	<u>(1.94)</u>	<u>(1.31)</u>

## 10. Earnings per share (continued)

### (ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders (diluted) and the weighted average number of ordinary shares (diluted) in issue during the period under review 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 December 31		Unaudited For the nine months ended December 31	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>From continuing and discontinued operations</b>				
Profit attributable to equity shareholders	190,242	83,284	494,396	174,474
After tax effect of effective interest on liability component of convertible bonds	—	962	1,304	2,875
Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under the share option scheme of a subsidiary for nil consideration	(886)	—	(2,034)	—
Profit attributable to equity shareholders (diluted)	<u>189,356</u>	<u>84,246</u>	<u>493,666</u>	<u>177,349</u>
Attributable to:				
Continuing operations	200,145	89,886	523,593	196,956
Discontinued operation	(10,789)	(5,640)	(29,927)	(19,607)
	<u>189,356</u>	<u>84,246</u>	<u>493,666</u>	<u>177,349</u>



## 10. Earnings per share (continued)

### (ii) Diluted earnings per share (continued)

Weighted average number of ordinary shares (diluted)

	Unaudited For the three months ended December 31		Unaudited For the nine months ended December 31	
	2007 '000	2006 '000	2007 '000	2006 '000
Weighted average number of ordinary shares at December 31	1,577,066	1,515,392	1,544,012	1,499,772
Effect of conversion of convertible bonds	—	61,053	31,579	61,053
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	39,168	24,484	40,103	19,093
Weighted average number of ordinary shares (diluted) at December 31	<u>1,616,234</u>	<u>1,600,929</u>	<u>1,615,694</u>	<u>1,579,918</u>
<b>From continuing and discontinued operations</b>				
Diluted earnings per share (HK cents)	<u>11.72</u>	<u>5.26</u>	<u>30.55</u>	<u>11.23</u>
<b>From continuing operations</b>				
Diluted earnings per share (HK cents)	<u>12.38</u>	<u>5.61</u>	<u>32.41</u>	<u>12.47</u>
<b>From discontinued operation</b>				
Diluted loss per share (HK cents)	<u>(0.66)</u>	<u>(0.35)</u>	<u>(1.86)</u>	<u>(1.24)</u>

## 11. Reserves

Unaudited  
Attributable to equity shareholders of the Company

	Capital									Total
	Share premium	redemption reserve	Merger reserve	Exchange reserve	Surplus reserve	Capital reserve	Fair value reserve	Other reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2007	998,913	1,523	54,193	98,312	61,233	17,288	322,051	(173,998)	1,028,417	2,407,932
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	335,946	—	—	335,946
Transfer to profit or loss on disposal of available-for-sale equity securities	—	—	—	—	—	—	(377,042)	—	—	(377,042)
Shares issued upon conversion of convertible bonds	101,205	—	—	—	—	(6,740)	—	—	—	94,465
Issue of shares for scrip dividend	8,187	—	—	—	—	—	—	—	—	8,187
Shares repurchased and cancelled	(533)	21	—	—	—	—	—	—	(21)	(533)
Contribution from minority shareholders	—	—	—	—	—	—	—	62,713	—	62,713
Disposal of interests in subsidiaries	—	—	—	(30,848)	—	—	—	164,371	76,000	209,523
Exchange differences	—	—	—	49,345	—	—	—	—	—	49,345
Equity-settled share-based transactions	—	—	—	—	—	4,420	—	—	—	4,420
Transfer to surplus reserve	—	—	—	—	15,797	—	—	—	(15,797)	—
Profit for the period	—	—	—	—	—	—	—	—	494,396	494,396
Dividend	—	—	—	—	—	—	—	—	(47,189)	(47,189)
As at December 31, 2007	<u>1,107,772</u>	<u>1,544</u>	<u>54,193</u>	<u>116,809</u>	<u>77,030</u>	<u>14,968</u>	<u>280,955</u>	<u>53,086</u>	<u>1,535,806</u>	<u>3,242,163</u>

## 11. Reserves (continued)

Unaudited  
Attributable to equity shareholders of the Company  
(Restated)

	Capital									Total
	Share premium	redemption reserve	Merger reserve	Exchange reserve	Surplus reserve	Capital reserve	Fair value reserve	Other reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2006	450,039	—	54,193	28,028	44,677	14,722	513,587	—	823,131	1,928,377
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	(63,350)	—	—	(63,350)
Issue of shares on placement	581,495	—	—	—	—	—	—	—	—	581,495
Share issuance expenses	(19,254)	—	—	—	—	—	—	—	—	(19,254)
Shares repurchased and cancelled	(29,542)	1,523	—	—	—	—	—	—	(1,523)	(29,542)
Exchange differences	—	—	—	17,328	—	—	—	—	—	17,328
Capital contribution to a subsidiary	—	—	—	—	—	—	—	(29,731)	—	(29,731)
Acquisition of minority interests	—	—	—	—	—	—	—	(207,516)	—	(207,516)
Contribution from minority interests	—	—	—	—	—	—	—	63,249	—	63,249
Equity-settled share-based transactions	—	—	—	—	—	3,294	—	—	—	3,294
Transfer to surplus reserve	—	—	—	—	14,905	—	—	—	(14,905)	—
Profit for the period	—	—	—	—	—	—	—	—	174,474	174,474
As at December 31, 2006	<u>982,738</u>	<u>1,523</u>	<u>54,193</u>	<u>45,356</u>	<u>59,582</u>	<u>18,016</u>	<u>450,237</u>	<u>(173,998)</u>	<u>981,177</u>	<u>2,418,824</u>

## 12. Comparative figures

Certain comparative figures have been re-classified as a result of the presentation of the discontinued operation.

## MANAGEMENT DISCUSSION & ANALYSIS

### BUSINESS REVIEW

#### Overview

Golden Meditech continued to perform robustly in the nine months ended December 31, 2007. Turnover from continuing operations soared 26% compared with the same period of the previous year, while profit attributable to equity shareholders of the company rose 183%.

The strong growth was a direct result of the management's continued strategy of diversification into new dynamic healthcare sectors, and the successful commercialization of several pioneering medical products and services.

The Cord Blood Bank Segment is entering into the harvesting stage of its business lifecycle. After four years in operation, the segment is now delivering a significant revenue contribution, which is rising as a proportion of the Group's total turnover. Another key source of income has been the Medical Device Segment, which generates sustainable cash flow to help fund the development of new businesses.

On the other hand, the Chinese Herbal Medicine Segment remains at an early stage of development but is beginning to explore new geographical markets through a new alliance with China Healthcare Inc. (CHI), one of the largest Chinese healthcare chains in England and Ireland.

Under the terms of the arrangement, ownership and control of the Chinese Herbal Medicine Segment's production facilities and research team in China had passed to CHI. The asset restructuring makes CHI the largest Chinese healthcare chain in England and Ireland.

Golden Meditech once again received a number of accolades from the local media during the past calendar year. Respected Hong Kong financial magazine, the *Economic Digest*, selected the Group as one of the "Outstanding Enterprises in Hong Kong" in December 2007. The subsidiary which holds the Cord Blood Bank Segment was also honored during the year, with Deloitte Touche Tohmatsu naming it as one of the 50 fastest growing hi-tech companies in China in October 2007, and as one of the 500 fastest growing hi-tech companies in the Asia Pacific region in December 2007.

## **Cord Blood Bank Segment**

The Cord Blood Bank Segment provides collection, processing, examination and cryopreservation services for umbilical cord blood stem cells from newborn babies. The segment currently has one branch located in Beijing and a second branch, which began operation in May 2007, located in Guangdong Province.

The segment's turnover showed significant growth, surging by 95% to HK\$91,701,000, for the nine months under review, while operating profit was up 135% to HK\$43,111,000. This was driven largely by the more established Beijing branch, which has performed exceptionally well in its first four years of operation and continues to report deepening penetration into the local market.

Meanwhile, the new branch in Guangdong has made an encouraging start without any wide-scale marketing campaigns, opting instead for a more focused promotional strategy specifically targeting expectant parents. In its first three quarters of operation, the Guangdong branch enrolled 3,470 new customers. In the third quarter alone, the branch's new subscriptions surged by 145% compared with the preceding quarter.

Going forward, the management expects the Guangdong branch to become another growth engine for the segment and the Group, especially once current work to build a larger and more advanced storage facility is completed.

## **Medical Device Segment**

The Medical Device Segment not only develops and manufactures medical devices for professional use and personal health monitoring devices for consumer use, but also provides sales and consultancy services. Turnover for the nine months under review rose by 9% to HK\$210,676,000 compared with the same period last year. The segment's operating profit reached HK\$145,634,000.

The management is confident that the segment's core product will maintain its leading market position. It is also driving forward with research and development of new professional medical devices for hospitals and personal health monitoring devices for consumers to generate new growth momentum.

In October 2007, the jointly controlled entity, Beijing Pypo Technology Group Company Limited (Pypo), entered into a conditional equity subscription agreement with an institutional investor to allot and issue new shares for a cash consideration of US\$90,000,000. The transaction was completed in mid-November 2007 and proceeds will be used for the development of the Pypo's retail business. The Group, which now holds a 33.5% indirect stake in Pypo, recorded a HK\$37,700,000 gain from the deemed disposal.

## **Chinese Medicine Segment**

The Chinese Herbal Medicine Segment is engaged in the research, development and production of Chinese herbal medicines. The segment's turnover came to HK\$5,291,000 for the nine months ended December 31, 2007, with production slowing down due to factory maintenance work following a minor warehouse fire in the first quarter.

In December 2007, the Group entered into an asset restructuring arrangement with China Healthcare Inc. (CHI), one of the largest Chinese healthcare chains in England and Ireland. After the restructuring, CHI's more than 90 retail healthcare chain stores in England and Ireland will distribute the Group's Chinese herbal medicine products. CHI will also take control of the segment's strong research and development team, and production facilities in China.

The transaction was completed on December 31, 2007. Following the transaction, 40% of CHI's profit after tax and the carrying value will be reported in the Group's financial statements.

## **FINANCIAL REVIEW**

### **Turnover from continuing operations**

The Group continued to develop in line with the management's expectations, recording robust growth for the nine months ended December 31, 2007. Turnover from continuing operations reached HK\$302,377,000, representing an increase of approximately 26% compared with the same period last year.

The Cord Blood Bank Segment is maturing into a significant and growing revenue contributor, amounting to 30% of the Group's total turnover for the period under review. The Medical Device Segment continues to generate strong income; and its contribution accounted for 70% of the Group's total turnover.

### **Gross profit margin from continuing operations**

The Group's gross profit margin from continuing operations remained high at 71% during the period under review, similar to last year.

## **Selling and administrative expenses from continuing operations**

The Group has an excellent track record in cost control due to the management's constant efforts to refine its cost structure. Despite an increase in business activities across all operating units, selling and administrative expenses for the nine months ended December 31, 2007 accounted for only 24% of total sales, in line with the management's expectations.

## **Profit attributable to equity shareholders of the Company**

Profit attributable to equity shareholders amounted to HK\$494,396,000 for the nine months ended December 31, 2007, up by 183% compared with the same period in the previous year. The Group's earnings momentum was boosted by organic growth, soaring profit contributions from the medical device distribution network and the electronic consumer product distribution network, as well as an increase in interest income and gains from securities investments.

During the period under review, the Group engaged in the asset restructuring of its Chinese herbal medicine business with China Healthcare Inc. (CHI), a company which operates over 90 retail Chinese healthcare stores in England and Ireland. Through the asset restructuring, CHI will be equipped with a research and development team and production facilities. A 40% share of both CHI's profit after tax and carrying value will be reported in Golden Meditech's financial statements.

## **PROSPECTS**

The Group's businesses all occupy pre-eminent positions in their sectors and their prospects for growth are among the strongest in China's healthcare industry.

The Group will continue to grow through diversification — expanding prudently into new technology-driven healthcare projects with strong growth prospects, high barriers to entry, and the potential for synergies with our existing businesses.

Our results thus far have proven this strategy to be effective in helping the management deliver on its commitment to generate strong, sustainable returns for shareholders.

Going forward, the management will continue to build on these solid foundations so that shareholders can continue to benefit from the strong growth of China's healthcare industry through Golden Meditech.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND IT'S ASSOCIATED CORPORATIONS

As at December 31, 2007, 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 <sup>(1)</sup>	—	433,916,000	27.51%
		(61,832,000) <sup>(2)</sup>	—	(61,832,000)	(3.92%)
	Beneficial owner	—	63,206,245 <sup>(3)</sup>	63,206,245	4.01%
Mr. LU Tian Long	Beneficial owner	—	400,000 <sup>(3)</sup>	400,000	0.03%
Ms. ZHENG Ting	Beneficial owner	—	2,000,000 <sup>(3)</sup>	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 December 31, 2007.
- (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 <sup>(1)</sup>	10,000	0.62%
Ms. ZHENG Ting	Beneficial owner	30,000 <sup>(1)</sup>	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 December 31, 2007, 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 to the financial statements as included in the annual report of the Company for the year ended March 31, 2007.
- A summary of movements of share options under the share option schemes of the Company for the nine months ended December 31, 2007 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 April 1, 2007	Number of underlying shares in respect of which share options were exercised during the period	Number of underlying shares in respect of which share options were outstanding as at Dec. 31, 2007	Exercise price HK\$
Mr. KAM Yuen	March 30, 2005 <sup>(1)</sup>	63,206,245	—	63,206,245	1.76
Mr. LU Tian Long	March 4, 2005 <sup>(2)</sup>	400,000	—	400,000	1.60
Ms. ZHENG Ting	March 4, 2005 <sup>(2)</sup>	2,000,000	—	2,000,000	1.60
Full-time employees (other than Directors)	March 4, 2005 <sup>(2)</sup>	11,970,000	(100,000) <sup>(3)</sup>	11,870,000	1.60
		77,576,245	(100,000)	77,476,245	

#### Notes:

- The share options are exercisable as to:
  - up to 20% immediately after 6 months from the date of grant;
  - up to 60% immediately after 18 months from the date of grant;
  - up to 100% immediately after 30 months from the date of grant; and
  - the share options will expire at the close of business on March 3, 2015.
- 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 February 28, 2015.
- Share options were exercised as follows:

Exercise date	Weighted average closing price of shares immediately before the date of exercise	Total number of underlying shares involved
November 19, 2007	HK\$3.51	100,000

- No share options granted under the share option schemes adopted by the Company on July 30, 2002 and March 30, 2005 respectively were cancelled or lapsed during the period ended December 31, 2007.

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

1. A summary of movements of share options under the CSC Scheme for the nine months ended December 31, 2007 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 April 1, 2007	Number of underlying shares in respect of which share options were outstanding as at Dec. 31, 2007	Exercise price HK\$
Mr. KAM Yuen	September 21, 2006 <sup>(1)</sup>	10,000	10,000	450
Ms. ZHENG Ting	September 21, 2006 <sup>(1)</sup>	30,000	30,000	450
Full-time employees (other than Directors)	September 21, 2006 <sup>(1)</sup>	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 August 27, 2016.
- (2) No share options granted under the CSC Scheme were exercised, cancelled or lapsed during the period ended December 31, 2007.

## 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 December 31, 2007, the interests and short positions of the shareholders (not being Directors or chief executives of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

### (a) 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 <sup>(4)</sup>
Bio Garden <sup>(1)</sup>	Beneficial owner	433,916,000 (61,832,000)	27.51% (3.92%)
Mr. Kent C. McCarthy <sup>(2)</sup>	Interest of controlled corporation	304,511,605	19.31%
Jayhawk China Fund (Cayman), Ltd. <sup>(2)</sup>	Investment manager	202,713,735	12.85%

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

<b>Name of other persons who have more than 5% interests</b>	<b>Capacity and nature of interest</b>	<b>Number of issued shares</b>	<b>Approximate percentage of the Company's issued share capital<sup>(4)</sup></b>
Martin Currie (Holdings) Limited	Interest of controlled Corporation	114,848,000	7.28%
State Street Corporation	Interest of controlled corporation	84,928,244(P) <sup>(3)</sup>	5.39%

*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 December 31, 2007.
- (2) The interests disclosed by Mr. Kent C. McCarthy include 202,713,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.
- (3) "P" denotes lending pool.
- (4) The percentage of interests is based on the aggregate nominal value of the shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.

Save as disclosed above, as at December 31, 2007, 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 nine months ended December 31, 2007, the Company repurchased 208,000 shares on the Stock Exchange as follows:

Month of purchase	Number of shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
August 2007	208,000	3.01	2.62	554,000

The repurchased shares were cancelled and 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\$533,000 to the share premium account and HK\$21,000 to the retained earnings account.

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 nine months ended December 31, 2007.

## 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.

## 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 third quarterly report for the nine months ended December 31, 2007.

By order of the Board  
**KAM Yuen**  
Chairman

HONG KONG, February 11, 2008

*As at the date of this announcement, the Board is composed of 7 directors. The executive directors are Mr. Kam Yuen (Chairman), Ms. Jin Lu, Mr. Lu Tian Long and Ms. Zheng Ting and the independent non-executive directors are Prof. Cao Gang, Mr. Gao Zong Ze and Prof. Gu Qiao.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at <http://www.goldenmeditech.com>.*

## **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 the Hong Kong Special Administrative Region of the PRC, 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\$

Hong Kong dollars, the lawful currency of Hong Kong.

RMB

Chinese Renminbi Yuan, the lawful 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.

US\$

United States dollars, the lawful currency of the United States of America



### ***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, including the models for hospital and outdoor use.
Disposable Chamber	The disposable blood processing chamber and related accessories. These are used once per operation for blood processing and recycling, and cannot be reused.

### ***Cord Blood Bank Segment***

Blood stem cells	Hematopoietic stem cells, from which all hematopoietic and immune cell types are derived. They can develop into red blood cells, white blood cells and platelets, are self-regenerative and have a multi- differentiation and homing tendency (i.e. oriented migration to 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.

### ***Chinese Herbal Medicine Segment***

TangHerb®	First proprietary Chinese herbal medicine approved by the SFDA to alleviate common AIDS symptoms and boost the CD4 cell count of both HIV carriers and AIDS patients.
CD4 cell	Also called a T-cell, a key immune cell of the immune system.