

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number 001-34541

Global Cord Blood Corporation

(Exact name of the Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

**48th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong S.A.R.**

(Address of principal executive offices)

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1 Garden Road
Central, Hong Kong S.A.R.**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Ordinary Shares, \$0.0001 par value	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**.

On March 31, 2018, the issuer had 120,824,742 shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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CERTAIN INFORMATION

Except where the context requires otherwise and for purposes of this report only:

- “BCHIL” refers to Brilliant China Healthcare Investment Limited, formerly known as KKR China Healthcare Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands affiliated with KKR China Growth Fund L.P., a China-focused fund managed by Kohlberg Kravis Roberts & Co. L.P., a global investment firm publicly traded on the New York Stock Exchange;
- “CCBS” refers to China Cord Blood Services Corporation, a company with limited liability incorporated in the Cayman Islands, and a wholly owned subsidiary of GCBC;
- “China” and “PRC” refer to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau solely for the purpose of this report;
- “Cordlife” refers to Cordlife Limited before its restructuring on June 30, 2011. Cordlife was a company with limited liability listed on the Australian Securities Exchange. It was principally engaged in cord blood banking services in Singapore, Hong Kong, Indonesia, India and the Philippines;
- “Cordlife HK” refers to Cordlife (Hong Kong) Limited, a private company and a subsidiary of Cordlife Group Limited. It is principally engaged in cord blood banking services in Hong Kong;
- “Cordlife Services” refers to Life Corporation Services (S) Pte. Ltd (formerly named as Cordlife Services (S) Pte. Ltd), a company with limited liability incorporated in Singapore, and a wholly owned subsidiary of LFC;
- “Cordlife Singapore” refers to Cordlife Group Limited (formerly named as Cordlife Pte Ltd) after the restructuring of Cordlife on June 30, 2011. Cordlife Singapore is a company with limited liability listed on the Singapore Exchange on March 29, 2012. It is principally engaged in cord blood banking services in Singapore, Hong Kong, Indonesia, India, Malaysia and the Philippines;
- “CSC East” refers to China Stem Cells (East) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “CSC Holdings” refers to China Stem Cells Holdings Limited, a company with limited liability incorporated in the Cayman Islands;
- “CSC South” refers to China Stem Cells (South) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “DOH” refers to the Local Department of Health of the People’s Republic of China. The DOH and Local Population and Family Planning Commission of the People’s Republic of China have been reorganized as Local Health and Family Planning Commission of the People’s Republic of China since March 2013;
- “Favorable Fort” refers to Favorable Fort Limited, a company with limited liability incorporated in Hong Kong;
- “GCBC”, “we”, “us”, the “Company”, “our company”, or “our”, refers to Global Cord Blood Corporation (formerly named China Cord Blood Corporation or “CCBC”), a company with limited liability registered by way of continuation in the Cayman Islands. The change of name of the Company from “China Cord Blood Corporation” to “Global Cord Blood Corporation” was approved by shareholders at the extraordinary general meeting of the Company on March 16, 2018. The Company received the approval from the Registrar of Companies in Cayman Islands for the name change on March 19, 2018 and the Company’s ordinary shares commenced trading under the new name on the NYSE with effect on March 22, 2018 with the same ticker symbol “CO”;
- “GM Stem Cells” refers to Golden Meditech Stem Cells (BVI) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “Golden Meditech” refers to Golden Meditech Holdings Limited, a company with limited liability incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange;

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- “Group” refers to Global Cord Blood Corporation and its subsidiaries;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of China;
- “Jiachenhong” refers to Beijing Jiachenhong Biological Technologies Co., Ltd., our subsidiary incorporated in the PRC with limited liability;
- “LFC” refers to Life Corporation Limited (formerly named as Cordlife Limited) after the restructuring of Cordlife Limited on June 30, 2011. LFC is a company with limited liability listed on the Australian Securities Exchange during the period from June 18, 2004 to January 24, 2018. Before June 2013, it was principally engaged in cord blood banking services in developing markets including Indonesia, India and the Philippines which were subsequently disposed of to Cordlife Group Limited. Starting from December 2013, its principal business changed to the provision of funeral and related services;
- “LHFPC” refers to Local Health and Family Planning Commission of the People’s Republic of China. LHFPC has been reorganized as Local Health Commission of the People’s Republic of China since March 2018;
- “LHC” refers to Local Health Commission of the People’s Republic of China;
- “Lukou” refers to Zhejiang Lukou Biotechnology Co., Ltd., our non-wholly owned subsidiary incorporated in the PRC with limited liability;
- “Magnum Trustee” refers to Magnum Opus International (PTC) Limited, as the trustee for The Magnum Opus International Trust which is a discretionary trust established under the laws of Hong Kong;
- “MOH” refers to the Ministry of Health of the People’s Republic of China. The MOH and National Population and Family Planning Commission of the People’s Republic of China had been reorganized as National Health and Family Planning Commission of the People’s Republic of China since March 2013;
- “Nanjing Ying Peng” refers to Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (limited partnership), a limited partnership incorporated in the PRC;
- “NHFPC” refers to National Health and Family Planning Commission of the People’s Republic of China. NHFPC has been reorganized as National Health Commission of the People’s Republic of China since March 2018;
- “NHC” refers to National Health Commission of the People’s Republic of China;
- “Nuoya” refers to Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd., our subsidiary incorporated in the PRC with limited liability;
- “NYSE” refers to The New York Stock Exchange.
- “provinces” of China refers to the twenty-two provinces, the four municipalities directly administered by the central government (Beijing, Shanghai, Tianjin and Chongqing) and the five autonomous regions (Xinjiang, Tibet, Inner Mongolia, Ningxia and Guangxi);
- “Qilu” refers to Shandong Province Qilu Stem Cells Engineering Co., Ltd., a company incorporated in the PRC with limited liability;
- “shares” or “ordinary shares” refers to our ordinary shares, par value \$0.0001 per share; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Unless otherwise indicated, all references to “our business” and “our operations” refer collectively to our business and operation in Beijing municipality, Guangdong province and Zhejiang province.

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Unless otherwise indicated, our financial information presented in this report has been prepared in accordance with United States Generally Accepted Accounting Principles, or “U.S. GAAP”. All references to “Renminbi”, “RMB” or “yuan” are to the legal currency of China, all references to “U.S. dollars”, “dollars”, “US\$” or “\$” are to the legal currency of the United States, all references to “HK\$” are to the legal currency of Hong Kong and all references to “AUD” are to the legal currency of Australia. This report contains translations of Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars were made at the noon buying rate in the City of New York for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of March 30, 2018. We make no representation that the Renminbi or U.S. dollar amounts referred to in this report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On March 30, 2018, the noon buying rate was RMB6.2726 to \$1.00.

This report contains statistical data relating to the healthcare industry in China that we obtained from various institutions’ publicly available publications. These publications generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Although we believe that these publications are reliable, we have not independently verified their statistical data. These statistical data may not be comparable to similar statistics collected for the industry in the United States and other countries.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about us and our industry. All statements other than statements of historical fact in this report are forward-looking statements. These forward-looking statements can be identified by words or phrases such as “may”, “will”, “expect”, “anticipate”, “estimate”, “plan”, “believe”, “is/are likely to” or other similar expressions. The forward-looking statements included in this report relate to, among others:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- the expected market growth for cord blood banking services in China;
- our ability to grow our business;
- market acceptance of cord blood banking in general and our services in particular;
- our ability to expand our operations;
- our ability to stay abreast of market trends and technological changes;
- changes in PRC governmental policies and regulations relating to industry; and
- fluctuations in general economic and business conditions in China.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the sections entitled “Key Information — Risk Factors”, “Information on the Company” and “Operating and Financial Review and Prospects — Factors Affecting Our Financial Condition and Results of Operations” sections and elsewhere in this report.

This report also contains data related to the cord blood banking industry. These market data include projections that are based on a number of assumptions. The cord blood banking market may not grow at the rate projected by market data, or at all. The failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ordinary shares. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. **Selected Financial Data**

The following selected consolidated financial data, other than selected operating data, have been derived from (i) our audited consolidated financial statements as of March 31, 2017 and 2018 and for the years ended March 31, 2016, 2017 and 2018, which are included elsewhere in this report; and (ii) our audited consolidated financial statements as of March 31, 2014, 2015 and 2016 and for the years ended March 31, 2014 and 2015 which are not included in this report. The consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. See “Key Information — Risk Factors” included elsewhere in this report. The selected consolidated financial data as of March 31, 2017 and 2018 and for the years ended March 31, 2016, 2017 and 2018 should be read in conjunction with those consolidated financial statements and the accompanying notes and “Operating and Financial Review and Prospects — Our Financial Condition and Results of Operations” included elsewhere in this report.

	2018		For the year ended March 31,		2015	2014
	\$	RMB	2017	2016	RMB	RMB
			RMB	RMB		
	(in thousands except per share and operating data)					
Selected statements of comprehensive income data:						
Revenues	149,343	936,768	759,978	662,999	635,122	572,857
Gross profit	120,410	755,285	617,338	518,401	504,511	466,632
Operating income ⁽¹⁾	44,618	279,863	264,865	191,330	234,996	231,926
Net income ⁽¹⁾⁽²⁾	38,402	240,879	128,689	91,333	107,793	132,526
Net income per ordinary share, basic	0.33	2.10	1.59	1.25	1.36	1.60
Net income per ordinary share, diluted	0.32	1.99	1.59	1.25	1.36	1.60
Selected operating data:						
New subscriber sign-ups ⁽³⁾	91,789	91,789	74,952	62,909	64,736	64,641
New donations accepted ⁽³⁾	4,204	4,204	3,825	3,926	6,387	6,700
Transfer of private cord blood units to donated cord blood units ⁽⁴⁾	5,211	5,211	4,180	—	—	—
Total units stored (end of year) ⁽³⁾⁽⁵⁾	722,576	722,576	626,583	547,806	480,971	409,848
Units deposited by subscribers (end of year) ⁽³⁾⁽⁴⁾⁽⁵⁾	661,618	661,618	575,040	504,268	441,359	376,623
Units contributed by donors (end of year) ⁽³⁾⁽⁴⁾	60,958	60,958	51,543	43,538	39,612	33,225

⁽¹⁾ Includes share-based compensation expenses which are allocated to the following expense items:

	2018		For the year ended March 31,		2015	2014
	\$	RMB	2017	2016	RMB	RMB
			RMB	RMB		
	(in thousands)					
Direct costs	306	1,920	1,565	1,475	416	—
Sales and marketing	(245)	(1,534)	17,408	16,413	4,624	—
General and administrative	13,373	83,882	43,268	40,796	11,495	—
Total (a)	13,434	84,268	62,241	58,684	16,535	—

(a) During the year ended March 31, 2015, a total of 7,300,000 restricted share units (“RSUs”) were issued to certain executives, directors and key employees under the Company’s restricted share unit scheme (the “Incentive Plan”), subject to certain performance conditions. During the years ended March 31, 2015, 2016 and 2017, none of the RSUs granted was vested or forfeited and there were 7,300,000 non-vested RSUs outstanding as of March 31, 2015, 2016 and 2017. During the year ended March 31, 2018, a reversal of RMB1.5 million (\$0.2 million) was recorded in sales and marketing expenses which was resulted from a write back of previously recognized share-based compensation expense due to the forfeiture of RSUs on the resignation of one of the grantees, partially offset by additional expenses charged on the RSUs granted during the first quarter of fiscal 2018 and upon the vesting of RSUs during the current year. During the year ended March 31, 2018, all the 7,300,000 outstanding RSUs were fully vested. As of March 31, 2018, no RSUs were issued and outstanding.

(2) Includes:

	2018		For the year ended March 31,		2015	2014
	\$	RMB	2017	2016	RMB	RMB
			RMB	RMB		
			(in thousands)			
Income tax expense (a)(b)(c)(d)	9,989	62,656	37,622	50,000	47,327	58,398

- (a) Jiachenhong’s renewed High and New Technology Enterprise (“HNTE”) certificate was dated October 30, 2014 and was approved by the relevant PRC tax authority on January 2015. Such status was valid retroactively as of January 1, 2014 and expired on December 31, 2016. As a result, Jiachenhong was subject to a reduced tax rate of 15% during such period. Jiachenhong’s HNTE status was redetermined by the relevant PRC tax authority in February 2018 and the renewed HNTE certificate was dated October 25, 2017 with a validity of 3 years. Such status is valid retroactively as of January 1, 2017 and will expire on December 31, 2019, and Jiachenhong is subject to a reduced tax rate of 15% during such period.
- (b) Nuoya’s HNTE certificate was dated October 16, 2013 and was approved by the relevant PRC tax authority on April 2014. Such status was valid retroactively as of January 1, 2013 and expired on December 31, 2015. As a result, Nuoya was subject to a reduced tax rate of 15% during such period. Nuoya’s HNTE status was redetermined by the relevant PRC tax authority in March 2017 and the renewed HNTE certificate was dated November 30, 2016 with a validity of 3 years. Such status is valid retroactively as of January 1, 2016 and will expire on December 31, 2018, and Nuoya is subject to a reduced tax rate of 15% during such period.
- (c) Lukou’s HNTE certificate was dated September 17, 2015 and was approved by the relevant PRC tax authority in January 2016. Such status was valid retroactively as of January 1, 2015 and expired on December 31, 2017. As a result, Lukou was subject to a reduced tax rate of 15% during such period. Lukou is in the process of reapplication for its HNTE status which will enable it to the preferential income tax rate of 15% from January 1, 2018 to December 31, 2020 upon approval.
- (d) During the year ended March 31, 2014, PRC withholding tax of RMB6.0 million was levied on dividends distributed by our PRC subsidiary to the holding company outside the PRC. During the years ended March 31, 2014, 2015 and 2016, we have provided RMB3.9 million, RMB5.2 million and RMB5.2 million for income taxes based on the expected earnings of our PRC subsidiaries to be distributed in the foreseeable future. During the year ended March 31, 2017, a reversal of such provision for income taxes of RMB14.3 million was made due to the change in future reinvestment plan as all undistributed earnings of the Company’s PRC subsidiaries are intended to be reinvested indefinitely in the PRC in the foreseeable future. No PRC withholding tax provision was made for the year ended March 31, 2018 as there was no change on the Company’s reinvestment plan.
- (3) “Total units stored”, “Units deposited by subscribers” and “Units contributed by donors” as of year end and “New subscriber sign-ups” and “New donations accepted” during each year take into account the withdrawal of units used. Please refer to “Information on the Company — Business Overview — Our Cord Blood Banking Services”.
- (4) During the year ended March 31, 2018, 91,789 new subscribers were recruited and 4,204 new donations were accepted. During the year ended March 31, 2018, the Company reclassified 5,211 private cord blood units as donated cord blood units after the Company determined that the recoverability of these prior private cord blood banking subscribers was low and therefore the Company terminated their subscription services according to the subscription contracts. These units are being treated as if they were donated cord blood units and will be part of the Company’s non-current inventories. Hence the units deposited by subscribers and units contributed by donors were 661,618 and 60,958, respectively, as of March 31, 2018.

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- (5) Includes subscribers who are delinquent on payments and for whom we have ceased to recognize revenue generated from storage fees. Please refer to “Information on the Company — Business Overview — Our Cord Blood Banking Services”.

	For the year ended March 31,					
	2018		2017	2016	2015	2014
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Selected statements of cash flows data:						
Net cash provided by operating activities	130,528	818,762	637,632	580,997	594,866	536,015
Net cash used in investing activities	(10,598)	(66,477)	(90,575)	(16,480)	(42,431)	(149,883)
Net cash (used in)/provided by financing activities	(321)	(2,015)	(60,000)	(1,646)	—	2,336
Effect of foreign currency exchange rate change on cash and cash equivalents	(1,582)	(9,924)	14,785	8,896	1,319	334

	As of March 31,					
	2018		2017	2016	2015	2014
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Selected balance sheets data:						
Cash and cash equivalents	677,646	4,250,610	3,510,264	3,008,422	2,436,655	1,882,901
Working capital ⁽¹⁾	628,167	3,940,247	2,224,180	2,731,538	2,198,529	1,657,094
Total assets	931,739	5,844,435	5,182,912	4,687,927	4,111,684	3,619,552
Deferred revenue	357,170	2,240,387	1,893,269	1,578,931	1,319,539	1,020,353
Ordinary shares	13	83	50	50	50	50
Retained earnings	178,056	1,116,873	879,775	753,585	662,615	555,323
Total equity attributable to Global Cord Blood Corporation	496,341	3,113,353	1,837,855	1,709,253	1,537,758	1,435,042
Total shares outstanding ⁽²⁾	120,824,742	120,824,742	73,003,248	73,003,248	73,003,248	73,003,248

(1) Working capital is calculated as total current assets minus total current liabilities.

(2) Total shares outstanding as of March 31, 2015, 2016 and 2017 do not include 7,080,000 shares (corresponding to 7,080,000 RSUs) which were issued to Magnum Trustee to hold such shares on behalf of the beneficiaries of the Incentive Plan as a class. Magnum Trustee is the trustee of The Magnum Opus International Trust, a trust sponsored and funded by the Company.

In April 2017, all the outstanding 7% senior convertible notes of \$115 million in aggregate principal amount were converted into ordinary shares of the Company at a conversion price of \$2.838 and resulted in an issuance of 40,521,494 ordinary shares of the Company. During the year ended March 31, 2018, 7,300,000 outstanding RSUs were fully vested and resulted in an increase of 7,300,000 ordinary shares outstanding. As a result, total ordinary shares outstanding as of March 31, 2018 increased to 120,824,742.

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The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. On March 30, 2018, the noon buying rate announced by Federal Reserve Statistical Release was RMB6.2726 to \$1.00 and on June 29, 2018 the noon buying rate was RMB6.6171 to \$1.00.

	Renminbi per U.S. Dollar — Noon Buying Rate			
	Period Ended	Average (1)	Low	High
2018				
June	6.6171	6.4651	6.3850	6.6235
May	6.4096	6.3701	6.3325	6.4175
April	6.3325	6.2967	6.2655	6.3340
March	6.2726	6.3174	6.2685	6.3565
February	6.3280	6.3183	6.2649	6.3471
January	6.2841	6.4233	6.2841	6.5263
Year ended March 31, 2018	6.2726	6.5898	6.2649	6.9060
Year ended March 31, 2017	6.8832	6.7425	6.4571	6.9580
Year ended March 31, 2016	6.4480	6.3584	6.1927	6.5932
Year ended March 31, 2015	6.1990	6.1952	6.1107	6.2741
Year ended March 31, 2014	6.2164	6.1220	6.0402	6.2273

Source: Federal Reserve Bank

(1) Annual averages are calculated from month-end rates. Monthly period averages are calculated using the average of the daily rates during the relevant period.

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

You should carefully consider all of the information in this report, including various changing regulatory, competitive, economic, political and social risks and conditions described below, before making an investment in our ordinary shares. One or more of a combination of these risks could materially impact our business, results of operations and financial condition. In any such case, the market price of our ordinary shares could decline, and you may lose all or part of your investments.

Risks Relating to Our Business

Our business and financial results may be materially adversely affected as a result of regulatory changes in the cord blood banking industry in China.

We generate substantially all of our revenues by providing our subscribers processing services, which consist of the testing and processing of cord blood units, and storage services, which consist of the storage of cord blood units in our facilities. We sometimes refer the processing services and storage services collectively as “subscription services” in this report. In addition, we are also required by the PRC government to store cord blood units donated by the public and offer matching units to patients in need of transplants, which we sometimes refer to as the “matching services” in this report. All of these revenues for the years ended March 31, 2016, 2017 and 2018 were derived in China. Due to the lack of a clear, consistent and well-developed regulatory framework, operation in the cord blood banking industry in China involves significant ambiguities, uncertainties and risks. We cannot assure you that we can continue to operate our business in the same manner for the following reasons:

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- The NHC (formerly known as NHFPC) has been following a “one license per region” policy in its regulation of cord blood banks, which precludes more than one cord blood banking licensee from operating in the same region. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses, meanwhile, it plans to build National Cord Blood Bank. This policy may be changed at any time. If new licenses are issued in Beijing, Guangdong, Zhejiang or any region where we are operating the licensed cord blood banks, or the LHCs actually permit or acquiesce in operation of subscription service by other type of institutions, our market position as the sole cord blood banking operator in the relevant region may be undermined. Further, we may be required to record impairment charges in respect of some or all of the carrying values of the rights to operate our cord blood banks in Guangdong and Zhejiang, or our investment in Shandong if additional licenses are issued in those regions or if the NHC or the relevant LHC takes the position that the provision of fee-based commercial cord blood banking services is not limited to operators of licensed cord blood banks. Any impairment charge that we may be required to record due to changes in regulatory policies would materially adversely affect our assets and net income.
- Our business may be exposed to increasingly stringent anti-monopolistic measures from the PRC government. Under the PRC Antitrust Law, the monopolistic activities are classified into (i) monopoly agreements, including both agreements entered into between business operators and suppliers and agreements between the operators; (ii) abuse of dominant market position by business operators; and (iii) concentration of business operators that may have the effect of precluding or impeding competition. As of the date of this report, only seven cord blood banking licenses have been granted in China, three of which to the Beijing Cord Blood Bank, Guangdong Cord Blood Bank and Zhejiang Cord Blood Bank (all of which are operated by us) and a fourth to Qilu, the sole operator of the Shandong Cord Blood Bank, in which we own a 24.0% equity interest (76% owned by our controlling shareholder). Therefore, we cannot assure you that we will not be identified as a business operator having dominant market position. In the event of such circumstances, there is a possibility that the antitrust authorities would impose more stringent supervision over our operations in China, in particular as to our abilities in changing or modifying any parts of our operations. There is even a risk that subscription prices would become subject to compulsory or directory guidance or other restrictions imposed by PRC government. Further, we plan to expand our business through further strategic acquisitions. If the contemplated business concentration has the effect of precluding or impeding competition, the antitrust authorities may prohibit consummation of the contemplated business concentration or impose conditions that would lessen the impact of the concentration poses on competition, and we may therefore be unable to expand our business through acquisition. In addition, our subsidiaries in Beijing, Guangdong and Zhejiang adopt similar commercial policies and share lots of material procurement channels in China. In the event there is any agreement or a series of agreements entered into by us that are identified as monopoly agreements, the profits generated from such agreements could be confiscated and we may be subject to administrative penalties.
- There is a possibility that the NHC or the relevant LHC will take the position that the provision of fee-based commercial cord blood banking services is not limited to operators of licensed cord blood banks. In the event that the NHC or the relevant LHC publicly announces such a position, or clarifies such position in an implicit or explicit manner, other companies in healthcare or other related industries may begin to provide such services, in which case we will face direct competition from these companies.
- In response to the development of medical reform of China, the PRC government may further promulgate certain guidance or compulsory regulations or clarify its policies or regulatory positions in other manners, which could undermine cord blood bank operator profitability by restricting or even prohibiting licensed cord blood banks or their operators from conducting fee-based commercial cord blood banking services. The PRC government may guide or force licensed cord blood bank to focus on its business of providing matching services or at least take matching services as its main business by imposing certain restrictive conditions on subscription services. If any of such circumstances occur, our business and financial conditions may be adversely affected.
- The NHC or the relevant LHC may be inclined to restrict or prohibit the operators of licensed cord blood bank from conducting fee-based commercial cord blood banking services directly. In such event, we may have to change our business model or even terminate our business, and our results of operations, financial condition and liquidity may be materially adversely affected.

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- The NHC or the relevant LHC may take the position that the subscription services and the matching services cannot be operated by the same operator. In such circumstances, we may be required to obtain a separate or a special license, permit, or authorization for our subscription services, or may be subject to some restrictive conditions, in which case our operations will be materially adversely affected.
- The PRC government may adopt additional requirements for the licensing, permitting or registration of cord blood banking services. As a result of the ongoing healthcare reforms in China, and in view of the policies promulgated and published by the PRC government regarding the aforementioned healthcare reform, including but not limited to the Notice on Strengthening the Management and Control of Cord Blood Stem Cells published by the MOH on October 24, 2011, cord blood banks services may be subjected to the pricing standards established by the relevant commodity price departments of PRC. Moreover, on October 8, 2012, the State Council published a notice on the “Twelfth Five-Year Plan” of Health Care Development which suggests strengthening the safety and security of the blood stations, and improving the standards of the blood station laboratories, and on December 3, 2012, the MOH published three industrial standards including “Requirements for Blood Storage” which may be related to our cord blood banking service management. Notwithstanding, there is lacking of a clear and explicit price level or price guidance in relation to the cord blood banking services which we provide. We cannot rule out the possibility that PRC government may establish price guidance or introduce other specific price control standards for the cord blood banking services in the future. Additionally, we cannot guarantee that our subscription services will not be included in the scope of the price control or that governmental prices will be higher than our current rates or the costs of our operation. If this happens, our subscription services may become subject to compulsory or directory guidance or other restrictions imposed by the PRC government. In particular, if subscription services become subject to price control in China, we would be required to abide by such control and policies and we may not be able to charge our subscribers at current rates. If the government-controlled pricing or price guidance set by the relevant department of the PRC government is lower than our current pricing or the cost of our operation, our business operation or financial condition will be materially adversely affected.

If we lose our position as the sole provider of cord blood banking services in our existing markets, our business and prospects may be materially adversely affected.

Our business and financial results may be materially adversely affected by the relaxation of the one-child policy in China.

The one-child policy has been established for over 30 years in China, and has successfully controlled population growth rates in the past years. Effective on January 1, 2016, the amendment of Population and Family Planning Law of PRC relaxes the one-child policy by allowing families to have two children where certain requirements are met. There are also unofficial reports suggesting that the PRC government may terminate the one-child policy. With only one child in each family, it was previously difficult to obtain matching stem cells if such child needed a transplant. In families with more than one child, the possibility of acquiring matching stem cells from a sibling is increased, and such families may decide not to subscribe our subscription services. With the relaxation of the one-child policy in China, we cannot assure the demand for our subscription services will be maintained at current levels and thus, our business and financial results may be materially adversely affected.

If all or part of the demand for stem cells is met by matching cord blood units donated by the public to patients in need of transplants, expectant parents may choose not to pay for our subscription services, and our business and financial results may be materially adversely affected.

There is no assurance that demand for our subscription services will remain at current levels for the following reasons:

- Cord blood banking licensees in China are required to accept all cord blood unit donations except for a valid medical reason and to provide matching services to patients in need of transplants. As the number of cord blood units donated by the public grows in size and increases in diversity, the probability of finding matching units for a patient among the units donated by the public may increase, which may result in a decrease in market demand for our subscription services.
- The value of our subscription services is related to the higher success rate of autologous cord blood transplants over unrelated ones. If medical research discovers new and more effective medical procedures that make allogeneic cord blood transplants safer and more effective, the clinical advantage of storing a child’s umbilical cord blood for his or her own future therapeutic use may significantly decline.

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- The China healthcare industry continues to undergo various reforms. We cannot assure you that the PRC government will not adopt policies to encourage non-profit healthcare measures, such as matching services, while restricting or prohibiting profit-making healthcare measures, such as our subscription services.

Any decrease in the demand for our subscription services could have a material adverse effect on our business and financial results.

We currently operate our business only in Beijing, Guangdong and Zhejiang. As a result of this geographic concentration, a downturn in the local economy or birthrate level of these regions could impair our growth and adversely affect our financial results.

Our operations are largely concentrated in Beijing, Guangdong and Zhejiang. Due to the lack of geographical diversity of our operations, we may be unable to mitigate the effects of any adverse trends in economic development, disposable income or birthrate level in these regions. In particular:

- The successful operation and growth of our business are primarily dependent on general economic conditions in Beijing, Guangdong and Zhejiang, which in turn are affected by many factors, including demographic trends, the strength of the manufacturing and services industries, foreign trade and tariff imposition. A deterioration of current economic conditions or an economic downturn in China as a whole, or Beijing, Guangdong or Zhejiang in particular, could result in declines in new subscriber sign-ups and impair our growth and profitability.
- Because cord blood banking is a precautionary healthcare measure, our ability to sign up new subscribers generally depends on the disposable income of expectant parents. There are many factors that are likely to cause such discretionary spending to fall, such as increases in interest rates, inflation, economic recession, declines in consumer credit availability, increases in consumer debt levels, increases in tax rates, increases in unemployment, and other matters that influence consumer confidence and spending.
- As currently our market is primarily targeted at expectant parents and newborns, the growth of our business will be subject to the birthrate level as well as population base in our operating regions. In the event the birthrate level or the population base in our operating regions significantly declines, the results of our operations, revenues and liquidity may be substantially undermined.

A major growth strategy of ours is to focus on penetrating our existing markets. Such strategy could be risky, because adverse economic or regulatory developments in one or multiple markets may have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we can maintain or enhance our success rates in attracting new subscribers in the future.

Our investment in Qilu may be materially adversely affected due to a downturn in the local economy or birthrate level in the Shandong province. Such deterioration may materially adversely affect or result in an impairment of our investment.

We invested in Qilu, the exclusive cord blood banking operator in the Shandong province, with an equity interest of 24.0% (76% owned by our controlling shareholder). Due to the lack of geographical diversity, Qilu may be unable to mitigate the effects of any adverse trends in local economic development, disposable income or birthrate level. Any slowdown in the Shandong province's economic development, unfavorable demographic trend, decline in disposable income of expectant parents or adverse change in consumer behavior will adversely affect Qilu's capability to penetrate its local market. As such, our investment in Qilu may be materially adversely affected or severely impaired.

If we fail to expand through strategic acquisitions of cord blood banks in other regions, we may not be able to expand our scope of operations or increase our revenues.

According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses. Therefore, we believe we would have to rely on strategic acquisitions to expand our operations. Expansion through strategic acquisitions is subject to a number of risks:

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- We may fail to locate suitable acquisition candidates with business operations that are consistent with our growth strategy and at prices and on terms that are satisfactory. Alternatively, we may have to compete with other companies or other Chinese cord blood banking operators in bidding to acquire cord blood banks in regions where we do not already operate. Some of these competitors may have greater capital resources than us.
- To finance part or all of our acquisition costs, we may need to issue ordinary shares, incur debt and assume contingent liabilities. Such acquisitions may also create additional amortization expenses related to acquired intangible assets. Any of these factors might harm our financial results and lead to volatility in the price of our shares. Further, any financing we might need for future acquisitions may be available only on terms that restrict our business or impose costs that decrease our profits.
- Even if we make a successful bid, we may be unable to obtain government approvals necessary to consummate any given proposed acquisition. Among others, if the contemplated business concentration has the effect of precluding or impeding competition, the antitrust authorities may prohibit consummation of the contemplated business concentration or impose conditions that would lessen the impact of such concentration poses on competition. Further, we may encounter protective measures in local markets that may preclude or impede our ability to expand into such regions through strategic acquisitions.
- Any integration of new businesses may produce unforeseen risks, operating difficulties and expenditures and may require significant management attention that would otherwise be available for the ongoing development of our business. Among others, we may be unable to discover during due diligence all contingent liabilities and adverse issues, giving rise to unexpected delays or difficulties during integration.
- While all cord blood banks must meet the relevant standards set by the NHC, some cord blood banks, due to their limited operating history, may possess different technological standards and operational models than ours. We may need to devote significant time and resources upon completion of the acquisition to amend and transform the acquired target. We may, prior to the implementation of an acquisition, fail to predict the appropriate amount of time and resources required to complete such transformation. It is even possible that we may not be able to rectify the situation at all. Due to the foregoing uncertainties, we may be subject to substantial costs and unexpected delays arising out of an acquisition.

Our future success depends on our ability to increase our target subscription base by expanding our geographical coverage to other regions. If we are unable to grow our operations through strategic acquisitions, our business, results of operations and financial condition could be materially and adversely affected.

We may incur significant initial investments to apply for cord blood banking licenses in other regions, and if we are unsuccessful, our operating results could be materially adversely affected.

If the NHC decides to grant new cord blood banking licenses in the future in other regions, we may attempt to apply for licenses in such regions. Applying for licenses involves a variety of risks:

- Based on the time needed for the granting of the seven existing cord blood licenses, we believe that the application process for a cord blood banking license in China generally takes several years. We may incur substantial costs during the application process in the construction of cord blood banks with no certainty of success.
- At any time during the application process, the NHC may decide not to grant a cord blood banking license in the region. Further, our likelihood of success may not be assessed easily, for the reason of neither the NHC nor the LHC currently announces the status of those applications including the number of prospective applicants.
- The potential award of new licenses may attract new entrants to the industry. Some of these entrants may consist of internationally based specialists with more extensive technical capabilities and stronger brand recognition and China-based healthcare conglomerates with significantly more resources than us.

We compete with other market players for substantially the same licenses. Increased competition may result in an increase in the average cost per license. There is no assurance that we will be able to obtain new licenses through the application process. If we are unable to successfully obtain the new licenses to be awarded, we may not be able to maintain our market position within the China cord blood banking industry. Currently, we have neither identified any specific locations nor expressed any written interest in constructing a cord blood bank.

We may face unfair competition from competitors with or without licenses in our target markets.

China laws and regulations are changed, supplemented and amended from time to time to establish a well-developed legal system, while at the same time, China is in an environment in which market conditions change rapidly. Therefore, certain laws and regulations fail to be updated in time to adapt to the new business environment, and some of the laws and regulations published only give a regulatory framework or fundamental principles, whose specific operational procedures and clear explanations in relation to certain details (for example, the standard, the scope, the procedures and so on) may be absent. Laws and regulations may not be enforced in a timely manner by competent administrative or judicial institutions, and provincial-level LHCs may have different positions and therefore have different supervision methods as they interpret the laws and regulations in relation to administration of cord blood banks. Although a decision (No. 2004 HuErZhongXingZhong256) made on December 6, 2004 by Shanghai No. 2 Intermediate People's Court, which can be accessed on the official website of Shanghai No. 2 Intermediate People's Court (<http://www.hshfy.sh.cn:8081/flws/text.jsp?pa=ad3N4aD0xNzE0MDUmdGFoPaOoMjAwNKOpu6a2/tbQ0NDW1dfWtdoyNTa6xSZ3ej0Pdcssz>) held that operators that conduct cord blood collection and supply activities without licenses will be ordered to shut down by the authorities, we cannot assure you that there will not be competitors without licenses operating in our target markets. These competitors may include medical institutions having a hematology specialty, general blood stations, institutions which preserve biological tissues (i.e. sperm bank), hospital blood clinic division, research institutions, and commercial institutions or organizations. Alternatively, there can be no assurance that operators of the licensed cord blood banks in other regions (outside Beijing, Guangdong and Zhejiang) will not compete with us in our target markets, or otherwise pose competition against us with other unfair methods. If the above circumstances do occur, we may not be able to obtain timely and effective protection from the government and have to deal with such unfair competition from such operators, which may result in the loss of the opportunity to explore the potential market, or even a decrease or loss of our existing market demand. In any such case, our operations and financial condition would be adversely affected.

We may not be able to manage our expected growth and enlarged business.

We anticipate that further expansion will be required in order for us to capitalize on the opportunities available in the cord blood banking industry. Our growth strategy may not be successful for the following reasons:

- Our ability to obtain additional capital for growth is subject to a variety of uncertainties, including our operating results, our financial condition, capital market perception, general market conditions for capital raising activities by healthcare companies, and economic conditions in China.
- Our profitability will be adversely affected by the additional costs and expenses associated with the operation of new facilities, increased marketing and sales support activities, experimenting on electronic and mobile platform to accommodate new consumer behavior, technological improvement projects, the recruitment of new employees, the upgrading of our managerial, operational and financial systems, procedures and controls, and the training and management of our growing employee base.
- The increased scale of operation will present our management with challenges associated with operating an enlarged business, including dedication of substantially more time and resources in operating and managing cord blood banks located in more than one geographic location in China, in ensuring regulatory compliance and in continuing to manage and grow the business.

We do not know whether our revenues will grow at all or grow rapidly enough to absorb the capital and expenses necessary for its growth. It is difficult to assess the extent of capital and expenses necessary for our growth and their impact on our operating results. Failure to manage our growth and enlarged business effectively could have a material adverse effect on our business, financial condition and results of operations.

Our prospects may be adversely affected if there are no new developments in medical science to overcome some of the current technical and therapeutic limitations on the use of cord blood in medical treatment.

Cord blood therapy is yet to be considered as mainstream therapeutic approach, with the first successful cord blood transplant occurring only in 1988. Cord blood therapy needs to overcome various technical obstacles before it can become an established medical practice. Cord blood therapy currently has the following limitations:

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- Cord blood transplants may be riskier than other available treatments. Stem cells in cord blood are more primitive than those in bone marrow or peripheral blood. For this reason, the engraftment process takes longer with cord blood, leaving the patient vulnerable to a fatal infection for a longer period of time. Further, a patient’s own stem cells either “often may” or “usually would” not be the safest or most effective source of stem cells for medical treatment, especially in cases of childhood cancers or genetic disorders, potentially making it preferable to use the cord blood units donated by healthy individuals instead of the cord blood units collected upon the patient’s birth.
- Due to the fact that cord blood therapy is a relatively new medical procedure with limited empirical data regarding its application, the long-term viability of cryogenically frozen cord blood stem cells has yet to be firmly established and the effectiveness of cord blood therapy remains to be proved. Therefore, medical practitioners may have reservations regarding the usefulness of cord blood therapy.
- A typical cord blood harvest only contains enough stem cells to treat a large child or small adult (weighing approximately 100 pounds). Although large-sized adults have had successful cord blood transplants in clinical trials, either by growing the cells in a laboratory prior to transplant or by transplanting more than one cord blood unit at a time, such technology has not yet matured to be applied in general medical practice for commercial use.

Cord blood therapy may never become an established medical practice. If the perceived utility of cord blood therapy declines, our prospects will be materially adversely affected.

The profitability of our business is subject to market acceptance of cord blood banking in China.

Growing market acceptance of cord blood banking services is critical to our future success. It is, however, difficult to predict whether we will be successful in generating additional consumer interest and confidence in the value of our services. Cord blood banking is a relatively new precautionary healthcare concept among the Chinese population. To many of our target subscribers, our services are novel and represent a departure from conventional healthcare spending. Cord blood banking may be unattractive to some from a costs-and-benefits perspective. We have made substantial capital investments in Beijing, Guangdong and Zhejiang, and expect to incur substantial capital investments in our potential markets in the future. If we are unable to penetrate our existing and future markets by attracting new subscribers or potential subscribers in the PRC do not acknowledge or accept the idea of cord blood banking, our business, financial condition and results of operations will be materially adversely affected.

Our prospects and business may be materially adversely affected by negative publicity involving cell related therapies.

In April 2016, there was an unsuccessful treatment involving cell therapy that generated significant public concern in China. In 2014, Mr. Zexi Wei, a 21-year-old Chinese college student, was diagnosed with synovial sarcoma, a rare form of cancer that affects tissue around major joints. Mr. Wei died in April 2016 after receiving a certain type of cell-based immunotherapy in a hospital in Beijing that he learned of from a promoted result on a Chinese Internet search engine (the “Wei Zexi incident”). The Wei Zexi incident was widely covered by the media, which was highly critical of the promoted search practices of the Chinese Internet search engine, and was investigated by the Cyberspace Administration of China, which concluded that the Chinese Internet search engine’s pay-for-placement results influenced Mr. Wei’s medical choices, and influenced the fairness and objectivity of search results. As a result, there remains significant public distrust in the PRC regarding the potential for online promotion of false or misleading medical information, particularly as it relates to innovative cell therapies.

We are a cord blood banking operator which provides storage services of hematopoietic stem cells. The clinical application of hematopoietic stem cell therapies has been proven by clinical data and was approved by the NHC many years ago. Accordingly, we have not witnessed any immediate material impact on our business due to the Wei Zexi incident as of the date of this report, nor does management expect it to cause a radical shift in the regulatory landscape in China. Furthermore, we believe that thorough examination of and proper regulation regarding the clinical applications and research of biological cell therapies would benefit the regenerative medicine industry as a whole over the long run.

On the other hand, we, as one of the largest private hematopoietic stem cell storage operators, may face challenges when marketing our services to expand our subscriber base if the public loses confidence in cell-based therapies due to certain negative effects from public events similar to “Wei Zexi incident” in the future. Negative publicity and related Internet rumors may cast doubt among consumers in the PRC regarding cell-based therapies, which in turn may adversely affect consumer confidence in the cord blood banking industry.

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Changes in the cord blood banking industry dynamics and technologies could render our services uncompetitive or obsolete, which could cause our revenues to decline.

The cord blood banking industry is evolving and may become increasingly competitive. We believe that a variety of cryopreservation technologies are under development by other companies. Our facilities may be rendered obsolete by the technological advances of others. Other cord blood banks may have better technologies than ours for preserving the cord blood units collected upon childbirth which results in higher cell count. To effectively compete in the future, we may need to invest significant financial resources to keep pace with technological advances in the cord blood banking industry. Any significant capital outlay, however, may adversely affect our profitability because we may not be able to pass the costs onto our existing or future subscribers.

To remain competitive, we must continue to enhance our infrastructure to keep up with technological developments in the healthcare industry. Failure to respond rapidly to changing technologies could have a material and adverse impact on our financial and operational performance.

Suppliers of equipment and consumables necessary for the examination, processing, collection and preservation of cord blood stem cells may become limited, which could adversely affect our operations.

We maintain reasonable level of equipment and consumables as inventory in our laboratories for the examination, processing, collection and preservation of cord blood stem cells. We also maintain, whenever available, multiple suppliers for our equipment and consumables. However, the number of equipment and consumables suppliers within the cord blood banking industry may become limited, while some of them may decide to exit the industry, leaving us with even more limited suppliers to choose from. Without adequate or sufficient equipment and consumables, we may not be able to handle all potential subscribers and our operations and financial performance will be materially and adversely affected.

If we fail to maintain and strengthen our service platform, our new subscriber sign-ups may decline and our growth may be impaired.

Sales and marketing activities are conducted by our own direct sales force through a network of collaborating hospitals. As of March 31, 2018, we have collaborative relationships with 352 major hospitals in Beijing, Guangdong and Zhejiang. We conduct a significant portion of our sales and marketing activities through these hospitals and rely on them for cord blood collection. Our ability to maintain and strengthen our relationships with these hospitals is critical to our success and will be affected by the following:

- For the year ended March 31, 2018, the top ten of these hospitals handled the collection procedures for approximately 16.5% of our new subscribers, and the top hospital accounting for 2.1% of our new subscribers. We expect that a substantial portion of our collection procedures will continue to be generated by a relatively small group of collaborating hospitals that may change from year to year. There is no assurance that the hospitals will continue to collaborate with us at the same levels as in prior years or such relationships will continue.
- As part of our growth plan, we expect to increase the number of collaborating hospitals in Guangdong and Zhejiang and further strengthen our relationships with the collaborating hospitals in our existing platform. We have limited experience in managing a large service platform in Guangdong and Zhejiang. We cannot assure you that we will be able to maintain or develop our relationships with various hospitals.

The expansion of our service platform is also likely to require a significant investment of financial resources and management efforts, and the benefits, if any, that we gain from such an expansion may not be sufficient to generate an adequate return on our investment. If we fail to do so, our sales could fail to grow or could even decline, and our ability to grow our business could be adversely affected.

Our financial condition and results of operations may be materially adversely affected if a significant number of our subscribers terminate their contracts with us prior to the end of a typical contract period of 18 years.

The contracts we entered into with our subscribers are typically for a period of 18 years. The contract period may be shorter than 18 years if the cord blood unit stored with us is needed for transplants by the child or a family member. The contract period may also be shorter than 18 years if our subscribers terminate their contracts with us prior to the end of 18 years for any reason. No penalties will be imposed for early termination. This effectively results in an annual election by our subscribers to renew their subscription contracts for storage services, which may result in more of our subscribers terminating the contract prior to the end of 18 years.

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In the event of termination by our subscribers prior to the end of 18 years, we are unable to continue to collect storage fees on an annual basis. Although we have not experienced early termination by a significant number of our subscribers in the past, there is no guarantee that all of our subscribers will fulfill their contract obligations by continuing to pay storage fees on an annual basis for a period of 18 years. If we experience early termination by a significant number of our subscribers prior to the end of a typical contract period of 18 years, we will lose revenues from storage fees payable by these subscribers for the remaining contract period. If this occurs, our revenues will decrease and our financial condition and results of operations will be materially adversely affected.

Our relatively limited operating history may not serve as an adequate basis to predict our future prospects and results of operations.

We have a relatively limited operating history. Although Nuoya obtained the license for its cord blood bank in June 2006, Nuoya was acquired by us in May 2007. Furthermore, we established the 90% owned subsidiary Lukou and acquired the right to operate the cord blood bank in the Zhejiang province during the year ended March 31, 2011. As such, we have a relatively limited operating history upon which the viability and sustainability of our business may be evaluated. For example, due to the uncertainties associated with government policies in relation to granting cord blood banking licenses in China, we abandoned construction of the two cord blood banks and incurred an impairment loss of RMB13.5 million in the year ended March 31, 2006. We cannot assure you that we will not incur losses in the foreseeable future. Our future prospects should be considered in light of the risks and uncertainties we may face in managing a relatively new healthcare service in China. Some of these risks and uncertainties relate to our ability to:

- ensure that there will only be one license in each of Beijing, Guangdong, Zhejiang and Shandong;
- maintain relationships with an extensive network of collaborating hospitals;
- reduce our dependence on a small geographical area and diversify our market and subscriber base;
- respond to changes in China regulatory environment;
- maintain effective control of our costs and expenses;
- attract, retain and motivate qualified personnel;
- secure necessary financing to support our business activities; and
- respond to rapid technological advances inherent in the cord blood banking industry.

If we are unsuccessful in addressing any of these risks and uncertainties, our business, financial condition and results of operations would suffer. In particular, as most of our expenses are fixed in the near future or incurred in advance of anticipated revenues, we may not be able to modify our business plan in time to address any shortfall in revenues and profits.

We are exposed to the risk of a deterioration or sudden dramatic decline in our reputation among our target subscribers due to failure in the performance of our cord blood banks.

Our reputation among clients and the medical community is extremely important to our success. Our future success depends on acknowledging and actively monitoring the concerns of our target subscribers, regulatory agencies, medical practitioners, civil society groups and non-government organizations. Failure to take appropriate consideration of legitimate corporate responsibility issues in our day-to-day operations could have a material adverse impact on our reputation and business prospects. In particular:

- To retain adequate sterility and stem cell viability, cord blood deposits in our cord blood banks are stored at minus 196 degrees Celsius continuously in liquid nitrogen tanks. To the extent the storage environment of our cord blood deposits is disrupted or impaired due to any software, hardware or equipment failure, our target subscribers may lose confidence in our services.
- Our subscribers and donors provide us with extensive personal data, which are stored in our database. Any leakage or sabotage of such information could have significant legal implications, and materially adversely affect our reputation and our ability to attract new subscribers and donors.

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Any problems with our services, if publicized in the media or otherwise, could negatively impact our reputation. Similarly, inappropriate or inadequate communication following a major crisis, such as a major operational incident, breach of law or ethics or leak of market-sensitive confidential information, could quickly and seriously impair our reputation. Depending on the nature of such crisis, effective communication may not mitigate serious damage to our reputation and may render us subject to criminal and civil prosecution or class action suits by shareholders and other interested parties. Any of these risks can have a material adverse impact on our business.

Our subscriber database is stored on our computer system. We maintain database security to protect such database and information stored from leakage or any unauthorized or unintended activities; however, our database may be hacked and our reputation would be adversely affected.

We store subscribers' information on our computer system and maintain database security to protect the database and prevent leakage of subscribers' personal data. The security system is regularly updated and tested to cope with fast-changing technologies; however, if unauthorized persons sabotaged our database or hacked into our database and steal subscribers' information for illegal or improper purposes, our reputation and our ability to attract new subscriber sign-ups may be materially adversely affected and we will be subject to litigation and potential damages liable to subscribers.

We treat cord blood units abandoned by our former subscribers as donated property and release such units to our cord blood inventory available for patients in need of transplants. This practice may subject us to criticism that could damage our reputation.

In addition to subscription services, we accept and preserve cord blood units donated by the general public and deliver matched cord blood units for a fee to patients in need of transplants. For subscribers who cease subscription for our services at the end of 18 years or who fail to pay subscription fees, we have the right under the subscription contracts to treat the cord blood units stored as donated property and release such units to our cord blood inventory for patients in need of transplants. We require our employees to fully inform all prospective subscribers of this policy, and our subscribers are required to give their consent to this policy when subscribing for our services.

During the year ended March 31, 2018, the Company reclassified 5,211 private cord blood units as donated cord blood units after the Company determined that the recoverability of these prior private cord blood banking subscribers was low and therefore the Company terminated their subscription services according to the subscription contracts. These units are being treated as if they were donated units and will be part of the Company's non-current inventory.

In the opinion of our PRC counsel, Zhong Lun Law Firm, consent of this nature is enforceable under PRC law. In the event of a dispute relating to the ownership of the cord blood units abandoned by our former subscribers, it is possible that a court may rule in favor of our former subscribers based on considerations of fairness and equity regardless of the fact that we have contractual rights under the subscription contracts to treat cord blood units abandoned by our former subscribers as donated properties and release such units to our cord blood inventory available for patients in need of transplants. If this occurs, we may be forced to return the cord blood units or continue to store the cord blood units for the benefit of subscribers who do not fulfill their payment obligations. If the cord blood units abandoned by our former subscribers are already used by patients in need of transplants and are no longer available to our former subscribers or their family members who are in need of transplants, we may be required to pay them substantial monetary compensation in order to compensate for those damages.

Based on information available to us, treating cord blood units abandoned by former subscribers and releasing such units as inventory available to patients in need of transplants is a common practice followed by cord blood banking operators in China. Nonetheless, we cannot assure you that we will not become the subject of negative publicity resulting from this business practice, whether due to failure by our employees to duly notify our subscribers of this contract provision, ethical issues underlying this business practice or other reasons. If this business practice receives negative media attention, our reputation and our ability to attract new subscriber sign-ups may be materially adversely affected.

Our insurance coverage may not be sufficient to cover the risks related to our business, and our insurance costs may increase significantly.

Our cord blood banks and other infrastructure in our facilities are vulnerable to damages or disruption from fire, flood, equipment failure, break-ins, typhoons and similar events. We do not have back-up facilities or a formal disaster recovery plan. Consequently, we could suffer a loss of some or all of the stored cord blood units.

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Currently, we maintain insurance coverage of RMB50.0 million (\$8.0 million) to cover our liabilities arising from collection, testing and processing of cord blood units and an additional RMB289.3 million (\$46.1 million) in aggregate to cover liabilities arising from storage of donated cord blood units in Beijing, Guangdong and Zhejiang. We also maintain property insurance policies for facilities, machinery and office equipment for our Beijing, Guangdong and Zhejiang operations to cover damages from accidents. However, we do not maintain any property insurance policies covering losses due to fire, earthquake, flood and other disasters, nor do we maintain business interruption or cyber security related insurance. Under our insurance policies, the insurance company will provide reimbursement if any cord blood unit of a subscriber is destroyed or unfit to use due to our mishandling; provided, however, the payments to which we are entitled in each incident are limited to RMB200,000 (\$31,885) per person and RMB10.0 million (\$1.6 million) in the aggregate.

While we believe that we maintain adequate insurance, our business and prospects could nonetheless be adversely affected in the event of problems in our operations, for the following reasons:

- Cord blood banking is an emerging business in China. We could have underestimated our insurance needs and may not have sufficient insurance to cover losses above and beyond the limits on our policies. In particular, our subscription contract limits our liability to an amount equal to twice the fees paid by the subscriber, and our insurance policies are procured with reference to this clause. If the enforceability of this clause is successfully challenged by a subscriber, any judgment against us may exceed the policy limit of our liability insurance.
- Depending on the severity of the incident, any damage or destruction of the cord blood units in our custody could potentially expose us to significant liability from our subscribers, and could affect our ability to continue to provide cord blood banking services. A substantial portion of our losses in such a case will not be covered by our insurance.
- Under the PRC Tort Liability Law, the loss or damage to the cord blood units would be identified as an infringement to personal rights and interests for which the subscribers may claim for the compensation for mental damage. In addition, because the loss or damage to the cord blood units would be a potentially unique and perhaps irreplaceable therapeutic loss for which damages would be difficult to quantify, the liability cap stipulated in our subscription contracts may not be supported by PRC courts and the subscribers may be compensated in accordance with the actual loss or the damage they suffered. We therefore cannot be sure to what extent we could be found liable, in any given scenario, for damages suffered by a subscriber as a result of harm or loss of a cord blood unit. If the amount of compensation for the said mental damage or the actual loss or damage is found to be huge, our financial conditions may be materially adversely affected.

Further, we cannot assure you that we will be able to continue to maintain insurance with adequate coverage for liability or risks arising from any of our services on acceptable terms. Even if the insurance is adequate, insurance premiums could increase significantly which could result in higher costs to us. Depending on the development of the industry, certain potential liability may be excluded from coverage under the terms of our insurance policy in the future which imposes even higher level of risk and uncertainty going forward.

If PRC regulators order operators of the licensed cord blood banks in China to cease their fee-based commercial cord blood banking operations, our results of operations and liquidity would be materially adversely affected.

Under the Measures for the Administration of Blood Stations issued by the MOH, or “the Measures”, which became effective on March 1, 2006 and revised in 2009, 2016 and 2017, respectively:

- for-profit cord blood banks and other for-profit special purpose blood stations are not approved;
- neither collection nor supply of cord blood from donors may be conducted for the purpose of making a profit;
- the purchase and sale of cord blood units donated by the public is prohibited; and
- cord blood banks are prohibited from collecting or providing cord blood without a duly obtained Blood Station Operation License issued by the provincial-level DOH or LHFPC or LHC.

Beijing, Guangdong and Zhejiang licenses were either renewed or issued by the relevant provincial-level DOHs or LHFPC after the Measures became effective on March 1, 2006.

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The cord blood bank operated by Jiachenhong, our operating subsidiary in Beijing, obtained its first cord blood banking license from the MOH in September 2002. In June 2007, June 2010 and April 2013, the DOH in Beijing renewed the license for the cord blood bank operated by us for an additional three years. In April 2016, the LHFPC in Beijing renewed the license for the cord blood bank operated by us for an additional nine years. The cord blood bank operated by Nuoya, our operating subsidiary in Guangdong, obtained its first cord blood banking license from the MOH in June 2006. In May 2009, May 2012, May 2015 and May 2018, the DOH/LHFPC in Guangdong renewed the license for the cord blood bank operated by us for an additional three years. The cord blood bank operated by Lukou, our operating subsidiary in Zhejiang, obtained its first cord blood banking license from the MOH in September 2010. In September 2013 and September 2016, the DOH/LHFPC in Zhejiang renewed the license for the cord blood bank operated by us for an additional three years.

All the operators of the licensed cord blood banks in China have been providing fee-based commercial cord blood banking services to fee-paying subscribers in conjunction with cord blood banking services provided to the public with respect to donated cord blood units. We believe that the NHC and the LHCs in Beijing, Guangdong and Zhejiang are aware of fee-based commercial cord blood banking services in these regions, as they have inspected cord blood bank facilities from time to time. In addition, our license application materials submitted to the LHFPCs in Beijing, Guangdong and Zhejiang contained information about our subscription services to subscribers.

Although the above facts indicate that the NHC and the LHCs have been continuously supervising Beijing, Guangdong and Zhejiang cord blood banks, which collect cord blood units donated by the public and provide fee-based commercial cord blood banking services, there is a lack of a clear, consistent and well-developed regulatory framework for the cord blood banking industry in China as well as a lack of formal clarifications of policies or positions by the NHC and the LHCs on how they interpret, administer and enforce the regulations in light of the ambiguities under the current regulatory environment. We cannot assure you that the PRC government and the competent health authorities will continue their current regulatory practice and not prohibit provision of for-profit subscription services. In the event that the PRC government and the competent health authorities were to change their regulatory position and prohibit companies or any other entities in China, including us, from operating for-profit subscription businesses or acting as operators of cord blood banks, we may have to terminate our business or change our business model. Further, if we were required to apply for a special or a separate permit, license or authorization for the provision of such services, we may have to suspend our business to apply for the special or a separate permit, license or authorization. We may be subject to administrative penalties and/or claims for operation without a license. There is no assurance that we will be able to obtain the license. We may be forced to shut down our business if we are unable to obtain the license. Also, there is no assurance that we will be able to apply for and obtain a new approval or license to expand our business. If any of the above circumstances occur, our business and financial condition will be materially adversely affected. Similarly, if the NHC or the relevant LHC order the operator of Shandong Cord Blood Bank to cease fee-based commercial cord blood banking operations, Qilu's operations will be severely affected, which in turn may materially adversely affect our investment.

Our business may be materially adversely affected if we are to be prohibited from providing collection, testing, storage and matching services in connection with cord blood under the Industrial Catalogue Guiding Foreign Investment, or the "Catalogue".

Prior to December 1, 2007, foreign investment in China was subject to regulation by the Catalogue promulgated in November 2004 by the National Development and Reform Commission, or the "NDRC", and the Ministry of Commerce, or the "MOC". On October 31, 2007, the NDRC and the MOC revised the Catalogue, which became effective on December 1, 2007. The Catalogue was amended on December 24, 2011, which then became effective on January 30, 2012. On March 10, 2015, the NDRC and the MOC revised the Catalogue, which became effective on April 10, 2015. On June 28, 2017, the NDRC and the MOC further revised the Catalogue, which became effective on July 28, 2017. On June 28, 2018, the NDRC and the MOC promulgated the amended negative list for foreign investment of the Catalogue, which became effective on July 28, 2018. Under the Catalogue promulgated in 2004, there were no prohibitions against investment by foreign enterprises in the cord blood banking industry in China. Under the Catalogue revised in 2007, 2011, 2015, 2017 and 2018, however, foreign enterprises are prohibited from engaging in stem cell and gene diagnosis and treatment technology development and application. Since the latest revised Catalogue still does not clearly define the scope of such prohibited business, it is uncertain whether it prohibits diagnosis and treatment technology development and application of stem cells only or it prohibits all stem-cell-related technology development and application. Therefore, it is unclear whether our cord blood banking services will be construed as a prohibited business under the Catalogue revised in 2018.

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We have consulted with our PRC counsel and found no evidence which leads to the conclusion that the subscription services provided by our cord blood banks violate the Catalogue revised in 2007, 2011, 2015, 2017 and 2018. We have also communicated and consulted with the MOH/NHFPC and the relevant DOHs/LHFPCs regarding the legality of cord blood banking services provided by our cord blood banks subsequent to the effectiveness of the Catalogue revised in 2007, 2011, 2015 and 2017. So far, neither the Company nor our cord blood banks has received any negative comment, query, notice of prohibition, notice of termination of the service, administration sanction or penalty due to the cord blood banking service deemed as non-compliance with the relevant PRC laws and regulations or violation of the terms set forth in the blood station licenses. Moreover, all the annual inspections, payments of the paid-in capital and change of the legal representative of our PRC subsidiaries, after the Catalogue revised in 2007, 2011, 2015 and 2017 became effective, have been legally approved, registered and filed with authorized Industry and Commerce Administration Bureau. Also, our Beijing Cord Blood Bank, Guangdong Cord Blood Bank and Zhejiang Cord Blood Bank renewed their cord blood banking licenses in April 2016, May 2018 and September 2016, respectively, from the relevant authorities after the Catalogue revised in 2007, 2011, 2015 and 2017 was already effective. None of Jiachenhong, the Beijing Cord Blood Bank, Nuoya, the Guangdong Cord Blood Bank, or Lukou, the Zhejiang Cord Blood Bank, encountered any major obstacle, hurdle or query during the renewal process of the cord blood banking license or business license.

Although the Catalogue revised in 2007, 2011, 2015, 2017 and 2018 has no retroactive force and foreign enterprises approved to operate in China before their business becomes prohibited under the Catalogue revised in 2007, 2011, 2015, 2017 and 2018 should be able to continue with their business in accordance with the approval they previously obtained, there is no assurance that such enterprises will continue to be able to renew their licenses in the future if the government authorities consider that renewal of their licenses would contravene the Catalogue revised in 2018. Moreover, we may not be able to obtain necessary approvals for our business expansion or acquisitions from the government authorities under the Catalogue revised in 2018. We also may not be able to extend the operating periods of our existing PRC subsidiaries, including Jiachenhong, Nuoya and Lukou. Jiachenhong has an operating period of twenty years and the cord blood banking license is subject to renewal in May 2025. Nuoya has an operating period of thirty years and the cord blood banking license is subject to renewal in May 2021. Lukou has an operating period of twenty years and the cord blood banking license is subject to renewal in September 2019. The contracts Jiachenhong, Nuoya and Lukou currently enter into with their subscribers are typically for a period of 18 years. If Jiachenhong and Lukou are unable to extend their respective operating periods, these respective operating periods will not cover the period of the contracts entered into after September 2005 and December 2012, respectively, and the relevant entity may have to be transferred to domestic companies or go into liquidation upon the expiration of its respective operating period. In addition, after the Catalogue revised in 2018 has been issued, we may not be able to obtain approval from the relevant approval authorities for increasing the registered capital of Jiachenhong, Nuoya and Lukou, subscribing to the increased registered capital of Jiachenhong, Nuoya and Lukou, or making contributions for such capital with foreign currency sourced from overseas. If any of the above occurs, we may be required to change our business model or otherwise cease our business operations.

Our business activities are subject to regulations that may impose significant costs and restrictions.

As the healthcare industry in China is monitored closely by regulatory authorities, our operations are constrained in many aspects. In particular:

- The regulatory framework on the cord blood banking industry may not be sufficiently comprehensive to address all ranges of issues in connection with the cord blood banking industry and to respond in a timely manner to any changes and developments in the industry. Before the existing laws and regulations are amended, PRC government authorities sometimes may establish internal policy guidance and follow this guidance in practice, and the implementation of such policy guidance could vary among different LHCs and be inconsistent with written regulations which in turn adversely affect our operations.
- Stringent regulations and standards apply to various aspects of our operations, including workers' safety, the maintenance of premises, and the handling and disposal of waste materials and hazardous substances. Failure to maintain the required standards can result in fines, an order to suspend the operations of our facilities until corrective measures are implemented or the revocation of our operating permits for such facilities or the denial of permission for their renewal. We comply with these regulations. A failure in complying with these regulations may have a material adverse effect on our operations.
- All collection devices and reagents used in our handling of cord blood units are regulated by the State Food and Drug Administration, or "SFDA", and we require our suppliers to comply with all applicable regulations. The SFDA could at any time require our suppliers to obtain prior approval or additional clearance with regard to the materials, reagents, appliances, consumables, devices or containers which we are currently using or prepare to use. Such requirements may affect the shipment timing of our suppliers which in turn materially adversely affecting our operations.

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- We are required by PRC law to hire professional medical waste disposal firms to collect and dispose of medical waste produced in the process of collection, transportation, testing, processing and cryopreservation of cord blood. Such compliance costs may put extra strain on our financial resources.
- The government may change the licensing policy to require separate licenses be obtained for each type of cord blood banking services provided. If we are unable to obtain such approvals, licenses or permits for any reason, we may be required to terminate the provision of the service requiring license, in which case our business may be materially adversely affected.

Regulations of cord blood banking services in China are still evolving and there are uncertainties in relation to the application and interpretation of the relevant regulations. We may be required to devote significant time and attention to maintaining our compliance with the applicable requirements, and our compliance costs may increase in future periods.

Unauthorized use of our brand name by third parties may adversely affect our business.

We consider our brand name critical to our success. Due to the nature of our business, we do not have any patents, administrative protection or trade secrets covering our use of cord blood collection, processing, storage or retrieval technologies. Our continued ability to differentiate ourselves from the other cord blood banking operators and other potential new entrants would depend substantially on our ability to preserve the value of our brand name.

We rely on trademark law, company brand name protection policies, and agreements with our employees, subscribers and business partners to protect the value of our brand name. In particular, we have completed the trademark registration process and have been licensed by the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China to use our trademarks, two of which are with the registration numbers 4666178 and 4666582. However, there can be no assurance that the measures we take in this regard are adequate to prevent or deter infringement or other misappropriation of our brand name. Among others, we may not be able to detect unauthorized use of our brand name or copycat in a timely manner because our ability to determine whether other parties have infringed our brand name is generally limited to information from publicly available sources.

In order to preserve the value of our brand name, we may need to take legal actions against third parties. Nonetheless, because the validity, enforceability and scope of trademark protection in the PRC are uncertain and still evolving, we may not be successful in litigation. Further, future litigation may also result in substantial costs and diversion of our resources and disrupt our business.

Our strategic partnership with Cordlife Singapore may not be successful.

Cordlife was a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines. Before the completion of the restructuring of Cordlife, we paid an aggregate of AUD12.4 million in exchange for a total of 24,366,666 shares in Cordlife. In June 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involved a spin-off of Cordlife's more mature cord blood banking businesses in Singapore and Hong Kong. The restructuring and distribution in specie were subsequently completed and effective on June 30, 2011. After the restructuring of Cordlife as of June 30, 2011, we owned a total 24,366,666 shares in both LFC and Cordlife Singapore.

Before the restructuring, operations of the whole group were conducted under Cordlife. After the restructuring, developing cord blood banking businesses in Indonesia, India and the Philippines were operated under LFC, which was listed on the Australian Securities Exchange, while the more mature cord blood banking businesses in Singapore and Hong Kong were operated under Cordlife Singapore, which was listed on the Singapore Exchange on March 29, 2012. In June 2013, Cordlife Singapore completed the acquisition of the cord blood and cord tissue banking businesses in Indonesia, India and the Philippines from LFC. After the acquisition, Cordlife Singapore now operates cord blood banking businesses in both mature markets such as Singapore and Hong Kong, and developing markets such as Indonesia, India and the Philippines. Subsequently, Cordlife Singapore acquired Stemlife, a Malaysia-based cord blood banking operator.

In December 2013, LFC acquired an unlisted company which engaged in the provision of funeral and related services, and thereafter, LFC's principal activities changed to the provision of funeral and related services. In February 2018, the Company disposed of all of its shares in LFC to liquidate its non-core investment since the Company had no strategic proposition relating to funeral business. As of March 31, 2018, we owned 25,516,666 shares in Cordlife Singapore representing a 10.1% equity interest. There are risks associated with Cordlife Singapore's operations, such as changes in regulation and different consumer appetite toward cord blood banking. We may thus be unable to realize satisfactory return on our investments in Cordlife Singapore.

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In May 2011, we entered into a marketing collaboration agreement with Cordlife HK, a subsidiary of Cordlife Singapore. Under the agreement, we will help to promote and provide referral services to potential clients who have interest in delivering babies in Hong Kong where Cordlife HK operates, in return for a minimal fee. As of the date of this report, no material development has been recorded.

In February 2014, we entered a strategic alliance agreement with Cordlife Singapore in relation to the provision of human postnatal umbilical cord tissues storage services in the PRC. Pursuant to the agreement, we will obtain a sub-license right for the use of cellular technology from Cordlife Singapore, which was granted by CordLabs Asia Pte. Ltd. to Cordlife Singapore, in return, we pay a licensing fee, but no material amount has incurred up to March 31, 2018. We cannot assure you the market will accept these new services and accordingly the strategic alliance may not be successful or generate satisfactory returns.

Our investments in available-for-sale equity securities may adversely affect our financial performance.

We continuously review and monitor our investments such as Cordlife (LFC and Cordlife Singapore after the restructuring) and other investment.

The market value of our investment in Cordlife declined during the nine months ended December 31, 2008. Having considered the significance of the accumulated decline in the fair market value of the ordinary shares of Cordlife, the period of time during which market value of the shares had been below cost, and the market condition at that time, the management determined that the impairment loss on the investment up to December 31, 2008 was other-than-temporary. As a result, accumulated impairment loss amounting to RMB37.4 million was recognized in earnings during the year ended March 31, 2009. During the six months ended September 30, 2015 and nine months ended December 31, 2016, we recorded impairment loss of RMB8.4 million and RMB2.5 million, respectively, on our investment in LFC. After taking into account the extent of the decline in the fair value of the ordinary shares of LFC, the length of time during which the market value of the shares had been below cost, and the financial condition and near-term prospects of LFC, our management considered that the decline in value on the investment in LFC was other-than-temporary. As a result, impairment loss of RMB8.4 million and RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, during the years ended March 31, 2016 and 2017 respectively and the market value as of December 31, 2016 formed a new cost basis of our investment in LFC. The investment in LFC was disposed of in February 2018 and the unrealized holding loss was recognized in earnings, which was transferred from other comprehensive income, during the year ended March 31, 2018.

As of March 31, 2018, we owned a 10.1% equity interest in Cordlife Singapore. As of March 31, 2018, there were total unrealized net holding gains of RMB62.6 million (\$10.0 million) recorded in Cordlife Singapore. Should the value of our investment experience a significant decline and we determine that the impairment is other-than-temporary, a write-down of investment will have to be recognized in earnings and this will adversely affect our financial performance.

If demand for our matching services is significantly different from our management's expectations, the valuation of donated cord blood units could be materially impacted, which could affect our financial performance.

A significant portion of our inventories, which consist of cord blood units donated by the public, consists of the handling costs attributable to the testing, processing and preservation of donated cord blood units. The handling costs include direct material costs and direct labor costs incurred in handling of donated cord blood units. Cost of inventories also comprises an allocation of production overheads. Donated cord blood units are valued at the lower of cost or net realizable value using the weighted average cost method. Since we do not expect to recognize revenue from such inventories within 12 months from the balance sheet date, we classify donated cord blood units as non-current assets on our consolidated balance sheets. The carrying value of our donated cord blood units was RMB71.8 million (\$11.4 million) as of March 31, 2018. Our management periodically reviews quantities of donated cord blood stored in our banks to determine if a write-down on inventories is necessary based on estimated demand for our matching services and other industry knowledge. We did not record any write-downs on our inventories for the years ended March 31, 2016, 2017 and 2018. If demand for our matching services is significantly different from our management's expectations, the valuation of donated cord blood units could be materially impacted.

We may have anti-takeover provisions in our organizational documents that discourage a change of control.

Certain provisions of our amended and restated memorandum and articles of association may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

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Certain of these provisions include:

- having a classified Board of Directors with staggered three-year terms;
- requiring a special resolution, namely the affirmative vote of not less than two-thirds (66 and 2/3%) of the votes cast by the shareholders in the meeting convened to approve the removal of a director;
- providing for filling vacancies on the board only by the vote of the remaining directors or by a special resolution, namely the affirmative vote of not less than two-thirds (66 and 2/3%) of the votes cast by the shareholders in the meeting convened to approve such appointment; and
- establishing the requirements and procedures for calling special meetings of shareholders, including a provision that provides that a special meeting of shareholders may only be called by a majority of directors, our chairman, or members together holding not less than seventy-five percent (75%) of the issued shares.

In addition, we have entered into service contracts with senior executive officers on June 30, 2009, namely, Ms. Ting Zheng, Mr. Albert Chen, Ms. Rui Arashiyama and Ms. Xin Xu. Each contract is automatically renewed every three years until the death or incapacitation of the senior executive officer unless terminated by either party with notice. If a service contract is terminated by the relevant executive within 30 days following a change of control of our company, the executive will be entitled to (i) all the salary and guaranteed bonuses actually accrued and payable to him/her; (ii) immediate vesting of all of his/her unvested options; and (iii) a severance payment in the amount of \$5 million. GCBC may terminate a service contract without cause with at least 30 days' written notice, in which case the executive will be entitled to (i) all the salary and guaranteed bonuses actually accrued and payable to him/her as the case may be; (ii) the immediate vesting of all of his or her unvested options; and (iii) if the termination is made within two years of a change of control of our company, a severance payment in the amount of \$5 million. The aggregate cost of the severance payments that would become payable at the option of the senior executive officers upon a change of control could discourage acquisition bids for GCBC. These anti-takeover provisions could make it more difficult for a third party to acquire GCBC, even if the third party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares.

As of March 31, 2018, Nanjing Ying Peng, via its wholly-owned subsidiary Blue Ocean Structure Investment Company Ltd ("Blue Ocean"), beneficially owned approximately 65% equity interest of GCBC. GCBC's Board of Directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. At each of our annual meetings, as a consequence of GCBC's "staggered" Board of Directors, only a minority of the Board of Directors will be considered for election and Nanjing Ying Peng, because of its ownership position, has considerable influence regarding the outcome.

As our success depends on several key management personnel, our business may be adversely affected if we fail to retain them.

Our success is highly dependent on the retention of the principal members of our management, scientific and sales personnel. In particular, Ms. Ting Zheng, our chairperson and chief executive officer, and the rest of our senior management team, are critical to our ability to execute our overall business strategy. In addition, several other employees with scientific or other skills are important to the successful development of our business. If any of our key employees joins a competitor or forms a competing company, we may lose some competitive advantages, and our operating results may be adversely affected. As qualified personnel are difficult to attract and retain, we have entered into service contracts with key senior executive officers. Each contract will be automatically renewed every three years until the death or incapacitation of the senior executive officer unless terminated by either party with notice. Although these contracts contain non-competition clauses, the restrictions imposed by the clauses may not be adequate to prohibit these key management personnel from competing against us after their departure.

If there are any adverse public health developments in China, our business and operations may be severely disrupted.

Any prolonged occurrence of avian flu, severe acute respiratory syndrome, or “SARS”, or other adverse public health developments in China or other regions where we have an operation or presence may have a material adverse effect on our business operations. These could include the ability of our personnel to travel or to promote our services within China or at other regions where we have an operation or presence, loss of marketing channels as hospitals prohibit our sales and marketing personnel from entering and approaching expectant parents within hospital premises, as well as temporary closure of our facilities. In particular, there have been reports of occurrences of avian flu in various parts of China in the past, including confirmed human cases. In response, the PRC government has authorized local governments to impose quarantine and other restrictions on movements of people and goods in the event of an epidemic. Any closures or travel or other operational restrictions would severely disrupt our business operations and adversely affect our results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic.

A severe or prolonged downturn in the global economy could materially and adversely affect our business and results of operations.

The global market and economic conditions during the years 2008 through 2010 were unprecedented and challenging, with recessions occurring in most major economies. Government responses to these events included partial nationalization of certain industries and enterprises, “bail-out” packages intended to provide liquidity to market participants and several high-profile acquisitions and bankruptcies.

Global economies initially showed signs of stabilizing, and China’s economy has stabilized recently. Previous turmoil in China’s capital market and economic developments in China, other countries of Asia and Euro-zones cast doubt on the pace of global economic recovery, which could have lasting effects on our business, our expansion plans and our ability to raise capital required to implement our expansion plans, the extent of which is difficult to predict. Also, the PRC government implements a series of administrative control intend to curb the outflow of Renminbi from the PRC. If economic growth slows down or an economic downturn occurs, our business and results of operations may be materially and adversely affected.

Recent trade policy initiatives announced by the United States administration against the PRC may adversely affect our business.

On August 14, 2017, the President of the United States issued a memorandum instructing the United States Trade Representative (“USTR”) to determine whether to investigate under section 301 of the United States Trade Act of 1974 (Trade Act), laws, policies, practices, or actions of the PRC government that may be unreasonable or discriminatory and that may be harming United States intellectual property rights, innovation, or technology development. Based on information gathered in that investigation, the USTR published a report on March 22, 2018 on the acts, policies and practices of the PRC government supporting findings that such are unreasonable or discriminatory and burden or restrict United States commerce.

On March 8, 2018, the President exercised his authority to issue the imposition of significant tariffs on imports of steel and aluminum from a number of countries, including the PRC. Subsequently, the USTR announced an initial proposed list of 1,300 goods imported from the PRC that could be subject to additional tariffs and initiated a dispute with the World Trade Organization against the PRC for alleged unfair trade practices. The President has indicated that his two primary concerns to be addressed by the PRC are (i) a mandatory \$100 billion reduction in the PRC/United States trade deficit and (ii) limiting the planned \$300 billion PRC government support for advanced technology industries including artificial intelligence, semiconductors, electric cars and commercial aircraft. On July 6, 2018, the United States imposed a 25% tariffs on \$34 billion worth of Chinese goods, including agriculture and industrial machinery, which prompted the PRC government to impose tariffs on \$34 billion worth of goods from the United States, including beef, poultry, tobacco and cars. In addition, a further \$16 billion worth of Chinese goods are scheduled to be the subject of subsequent tariffs and the USTR released a list on July 10, 2018 of \$200 billion in Chinese goods that may be subject to a 10% tariff after a public comment period, fulfilling the President’s intention to impose further tariffs should the PRC move forward with their proposed tariffs.

This evolving policy dispute between the PRC and the United States is likely to have significant impact on the PRC economy as well as consumer discretionary spending, directly and indirectly, and no assurance can be given that we will not be adversely affected by any governmental actions taken by either the PRC or the United States, perhaps materially. In view of the positions of the respective trade representatives, it is not possible to predict with any certainty the outcome of this dispute or whether it will involve other agencies or entities brought in to resolve the policy differences of the two countries.

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There is a risk that GCBC will be classified as a passive foreign investment company, or “PFIC”, which could result in adverse consequences to investors.

In general, GCBC will be treated as a PFIC for any taxable year of GCBC in which either (1) at least 75% of its gross income (including its pro rata share of the gross income of certain 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of its assets (including its pro rata share of the assets of certain 25% or more owned corporate subsidiaries) produce, or are held for the production of, passive income. Passive income generally includes, without limitation, dividends, interest, rents, royalties, and gains from the disposition of passive assets. If GCBC is determined to be a PFIC for any taxable year (or portion thereof) of GCBC that is included in the holding period of a U.S. Holder (as defined in the section of this report captioned “Additional Information — Taxation — United States Federal Income Taxation — General”) of GCBC’s ordinary shares, the U.S. Holder may be subject to increased U.S. federal income tax liability upon a sale or other disposition of GCBC’s ordinary shares or the receipt of certain excess distributions from GCBC and may be subject to additional reporting requirements. Based on the composition (and estimated values) of the assets and the nature of the income of GCBC and its subsidiaries during GCBC’s taxable year ended March 31, 2018, we do not believe that we will be treated as a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for such taxable year, there can be no assurance with respect to our PFIC status for such taxable year. There also can be no assurance with respect to the status of GCBC as a PFIC for its current taxable year or any future taxable year. U.S. Holders of GCBC’s ordinary shares are urged to consult their own tax advisors regarding the possible application of the PFIC rules. See the discussion in the section entitled “Additional Information — Taxation — United States Federal Income Taxation — U.S. Holders — Passive Foreign Investment Company Rules”.

The audit report included in this annual report is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, you may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission (the “SEC”), as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States) (the “PCAOB”), is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the applicable laws of the United States and professional standards. Because our auditor is located in the People’s Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. Inspections conducted by the PCAOB outside of China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audit documentation located in China and its related quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC.

In February 2014, the initial decision was appealed. While under appeal and in February 2015, four of these PRC-based accounting firms (the “Chinese member firms of “Big Four” accounting firms”) reached a settlement with the SEC. As part of the settlement, each of the Chinese member firms of “Big Four” accounting firms agreed to settlement terms that include a censure; undertakings to make a payment to the SEC; procedures and undertakings as to future requests for documents by the SEC; and possible additional proceedings and remedies should those undertakings not be adhered to.

If the settlement terms are not adhered to or in the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements not in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ordinary shares may be adversely affected.

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If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

If we grant additional RSUs in the future, our net income could be adversely affected.

In February 2011, at our annual general meeting, our shareholders approved an Incentive Plan which has a mandate limit of granting rights to receive ordinary shares not exceeding 10.0% of our issued and outstanding share capital, to directors, officers, employees and/or consultants of GCBC and our subsidiaries. Certain administrative provisions of the Incentive Plan were subsequently amended by our Board of Directors in August 2014. The Incentive Plan is intended to enable the Company to attract, motivate, reward and retain the services of executives, directors and key employees. The Incentive Plan provides for the granting of RSUs, which may vest upon satisfaction of certain conditions set by the Compensation Committee of the Company. During the year ended March 31, 2018, an aggregate of 7,300,000 RSUs were fully vested. Share-based compensation expenses recognized were RMB58.7 million, RMB62.2 million and RMB84.3 million (\$13.4 million) for the years ended March 31, 2016, 2017 and 2018, respectively. No RSUs were issued and outstanding as of March 31, 2018. If we grant additional RSUs in the future, we could incur significant compensation charges and our net income could be adversely affected.

The Company is subject to cyber security risks and other cyber incidents, including the misappropriation of Company's information and other breaches of information security which could adversely affect our business and disrupt our operations.

In the normal course of conducting business, we collect and store sensitive data on our systems, including intellectual property, personal information of subscribers and employees, and proprietary business information of vendors and business partners. Despite the security measures we have in place and any additional measures we may implement in the future to safeguard our systems and to mitigate potential security risks, GCBC's facilities and systems, and those of its third-party service providers, could be vulnerable to cyber security breaches, such as unauthorized access, accidents, employee errors or malfeasance, computer viruses, hackings or other disruptions. Such breach could compromise the security of our data and information technology infrastructure, thereby exposing such information to unauthorized third parties. Techniques used to obtain unauthorized access to information systems, or to sabotage those systems, change frequently and generally are not recognized until launched against a target. We may be required to expend significant capital and other resources to remedy, protect against or alleviate these and related problems, and we may not be able to remedy these problems in a timely manner, or at all. Any disruption of its systems or security breach or event resulting in the misappropriation, loss or other unauthorized disclosure of confidential information, whether by the Company directly or by its third-party service providers, could damage GCBC's reputation, result in the incurrence of costs, expose GCBC to the risks of litigation and liability, result in regulatory penalties under laws that protect privacy of personal information, disrupt GCBC's business or otherwise affect its results of operations.

Risks Relating to Operations in China

Changes in political, economic and legal developments in China may adversely affect our business.

As we derive substantially all of our revenues in China and substantially all of our assets and operations are in China, our continued growth would depend heavily on China's general economic condition. The Chinese economy has grown significantly in recent years, especially after China's accession to the World Trade Organization, or "WTO", in 2001. We, however, cannot assure you that the Chinese economy will continue to grow, or that such growth will be steady or in geographic regions or economic sectors to our benefit. A downturn in China's economic growth or a decline in economic condition may have material adverse effects on our results of operations.

Further, we will continue to be affected by the political, social and legal developments of China. Since the late 1970s, the PRC government has introduced a series of economic and political reforms, including measures designed to effectuate the country's transitioning from a planned economy to a more market-oriented economy. During such economic and political reforms, a comprehensive system of laws was promulgated, including many new laws and regulations seeking to provide general guidance on economic and business practices in China and to regulate foreign investment.

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In the past twenty years, the growth of the Chinese economy has been uneven across different geographic regions and different economic sectors. In order to stabilize national economic growth, the PRC government adopted a series of macroeconomic policies. These policies include measures that restricted excessive growth and investment in specific sectors of the economy. Also, the PRC government has implemented stimulus responses to the global financial crisis. We cannot predict the future direction of economic reforms or the effects that any such measures may have on our business, financial condition or results of operations.

Most of our revenues are denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility.

We are exposed to the risks associated with foreign exchange controls and restrictions in China, as our revenues are primarily denominated in Renminbi, which is currently not freely exchangeable. The PRC government imposes control over the convertibility between Renminbi and foreign currencies. Under the PRC foreign exchange regulations, payments for “current account” transactions, including remittance of foreign currencies for payment of dividends, profit distributions, interest and operation-related expenditures, may be made without prior approval but are subject to procedural requirements. Strict foreign exchange control continues to apply to “capital account” transactions, such as direct foreign investment and foreign currency loans. These capital account transactions must be approved by or registered with the PRC State Administration of Foreign Exchange, or “SAFE” or its authorized local branches. Further, any capital contribution by an offshore shareholder to its PRC subsidiaries should be approved by the MOC in China or its local counterparts. We cannot assure you that we are able to meet all of our foreign currency obligations to remit profits out of China or to fund operations in China.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or “Circular 142”. On March 30, 2015, SAFE issued the Circular of the State Administration of Foreign Exchange Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or “Circular 19”, which became effective on June 1, 2015 and replaced the Circular 142, to regulate the conversion by foreign invested enterprises, or FIEs, of foreign currency into Renminbi by restricting how the converted Renminbi may be used. On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement, or “Circular 16”, which effected on the date of promulgation and shall prevail in the event of any discrepancy between Circular 19 and Circular 16. Circular 19 and Circular 16 require that Renminbi converted from the foreign exchange earnings under capital account which the voluntary settlement has been applied by relevant policies (including the foreign currency-dominated capital of a FIE, foreign debts, funds repatriated from overseas listing, etc.) shall be managed under the Accounts for FX settlement and pending payment. The expenditure scope of such Account includes: expenditure within the business scope, payment of funds for domestic equity investment and Renminbi deposits and so forth. A FIE shall truthfully use its capital by itself within the business scope and shall not, directly or indirectly, use its capital or Renminbi converted from the foreign exchange earnings under capital account for (i) expenditure beyond its business scope or expenditure prohibited by laws or regulations, (ii) disbursing loans to unrelated parties unless explicitly permitted under its business scope. Where a FIE, other than a foreign-invested investment company, foreign-invested venture capital enterprise or foreign-invested equity investment enterprise, makes domestic equity investment by transferring its capital in the original currency, it shall obey the current provisions on domestic re-investment. Where such a FIE makes domestic equity investment by its Renminbi conversion, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Accounts for FX settlement and pending payment, and the FIE shall thereafter transfer the conversion to the aforesaid Account according to the actual amount of investment. In addition, according to the Regulations of the People’s Republic of China on Foreign Exchange Administration, which became effective on August 5, 2008, the use of foreign exchange or Renminbi conversion may not be changed without authorization. In the future, we may grow our business in part by acquiring additional cord blood banks in China. Compliance with Circular 19 and Circular 16 may delay or inhibit our ability to complete such transactions, which could affect our ability to expand business.

Fluctuation in the value of the Renminbi and of the U.S. dollar may have a material adverse effect on investments in our ordinary shares.

Any significant revaluation of the Renminbi may have a material adverse effect on the U.S. dollar equivalent amount of our revenues and financial condition as well as on the value of, and any dividends payable on, our ordinary shares in foreign currency terms. For instance, a decrease in the value of Renminbi against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of your investment in our ordinary shares and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our common shares. Any further appreciation of the Renminbi against the U.S. dollar may result in significant exchange losses as we convert U.S. dollars into Renminbi. As of March 31, 2018, we had cash denominated in U.S. dollars of approximately \$3.3 million.

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Prior to 1994, Renminbi experienced a significant net devaluation against most major currencies, and there was significant volatility in the exchange rate during certain periods. Upon the execution of the unitary managed floating rate system in 1994, the Renminbi was devalued by 50% against the U.S. dollar. Since 1994, the Renminbi to U.S. dollar exchange rate has largely stabilized. On July 21, 2005, the People's Bank of China announced that the exchange rate of U.S. dollar to Renminbi would be adjusted from \$1 to RMB8.27 to \$1 to RMB8.11, and it ceased to peg the Renminbi to the U.S. dollar. Instead, the Renminbi would be pegged to a basket of currencies, whose components would be adjusted based on changes in market supply and demand under a set of systematic principles. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On June 19, 2010, the People's Bank of China released a statement indicating that they would "proceed further with reform of RMB exchange rate regime and increase the RMB exchange rate flexibility". On March 17, 2014, the floating band of Renminbi against U.S. dollar was increased from 1% to 2%. Recently, we have seen Renminbi exchange rate against U.S. dollar stabilizing after a series of administrative control intending to curb the outflow of Renminbi from the PRC. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant appreciation or depreciation in the value of the Renminbi against the U.S. dollar. The Renminbi may be revalued further against the U.S. dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies.

China's legal system is different from those in some other countries.

China is a civil law jurisdiction. Under the civil law system, prior court decisions may be cited but do not have binding precedential effect. Although progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade, China's legal system remains less developed than the legal systems in many other developed countries. Furthermore, because many laws, regulations and legal requirements have been recently adopted, their interpretation and enforcement by the courts and administrative agencies may involve uncertainties. Sometimes, different government departments may have different interpretations. Licenses and permits issued or granted by one government authority may be revoked by a higher government authority at a later time. Government authorities may decline to take action against operators of the unlicensed cord blood banks which may work to the disadvantage of operators of the licensed cord blood banks, including us. The PRC legal system is based in part on government policies and internal rules (some of which may not be published on a timely manner or at all) that may have a retroactive effect. We may not be aware of our violation of these policies and rules until the time after the violation. Changes in China's legal and regulatory framework, the promulgation of new laws and possible conflicts between national and provincial regulations may adversely affect our financial condition and results of operations. In addition, any litigation in China may result in substantial costs and diversion of resources and management attention.

PRC regulations relating to the establishment of offshore companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into the PRC subsidiaries, limiting our subsidiaries' ability to distribute profits to us or otherwise adversely affect us.

SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or "Notice 75", on October 21, 2005, which became effective as of November 1, 2005 and the operating procedures in May 2007.

In July 2014, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Overseas Investment and Financing and Reverse Investment Activities of Domestic Residents Conducted via Special Purpose Companies, or "Circular 37", which superseded Notice 75. According to Circular 37, PRC residents (including PRC institutions and individuals) shall, among other things, (i) register with the local SAFE branch regarding offshore enterprises they, for purpose of financing or/and investment, directly established or indirectly control using assets and interests in onshore enterprises or offshore assets or interests they legally possess ("Special Purpose Vehicle"); (ii) PRC residents shall also amend registration regarding changes in the Special Purpose Vehicle, including the basic information of the Special Purpose Vehicle, and material changes such as the increase of capital contribution by PRC individuals, decrease of capital contribution, equity transfer or exchange, merger or division; (iii) amend registration or deregister where, as a result of equity transfer, bankruptcy, dissolution, liquidation, expiration of business term, change of personal identity and etc., PRC individuals no longer possess rights and interests in the Special Purpose Vehicles, or where filings are no longer required.

Under Circular 37, failure to comply with the registration requirements will result in administrative penalties under Regulations on the Foreign Exchange System of PRC. To the extent possible, we urge our PRC shareholders to make necessary registrations as required under Circular 37, however, it is unclear how it will be interpreted and implemented by the local branches of SAFE. Therefore, we cannot assure you that all relevant shareholders have made or will make and obtain all registrations required. In addition, under Circular 37; registrations are prerequisites for conducting subsequent businesses. Therefore, the inflow and outflow of funds and the settlement of foreign exchange will be limited should any PRC shareholder fail to make such registration.

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On November 19, 2012, the SAFE issued the Notice on Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment, or the “Notice 59” (which had been revised pursuant to the Notice of the SAFE on Repealing and Revising the Normative Documents concerning the Reform for Registered Capital Registration System promulgated on May 4, 2015 and taken effect from May 4, 2015). The Operating Rules for Foreign Issues with Regard to Direct Investment under Capital Account, or the “Operating Instruction”, an appendix to Notice 59, provides in detail the procedures, required documents and review standard of foreign exchange registration and reverse investment by domestic residents through offshore special purpose vehicles, or “SPVs”, owned or controlled by domestic residents. According to the Operating Instruction, domestic resident individuals shall register with the local SAFE branch where the assets or equities of their domestic enterprises are located. When assets or equity interests of domestic enterprises are located in different areas, such domestic residents shall select a SAFE branch office in the area, where one of the primary domestic enterprises is located, to comprehensively register with. Domestic resident individuals may establish SPVs overseas prior to the registration, however, such SPVs are not allowed to raise funds outbound, change equity interests or engage in reverse investment activity or make other substantial changes in capital or equity interests prior to the completion of the registration. Whenever SPVs change in financing matters, an alteration registration shall be made within 30 working days upon the receipt of the first batch of raised funds. The raised funds without alteration registration shall not be called back and utilized in the form of investment or foreign loan.

To date, we have not received any communications from, or had contact with, the PRC government with respect to SAFE Rules. Neither do we have information regarding whether our shareholders who may be subject to SAFE Rules have made necessary applications, filings and amendments as required under SAFE Rules. However, to the extent possible, we urge our shareholders and beneficial owners who may be subject to SAFE Rules to make the necessary applications, filings and amendments as required under SAFE Rules. However, we cannot provide any assurance that all of our shareholders and beneficial owners who may be PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Rules. The failure or inability of our PRC resident shareholders or beneficial owners to make any required registrations or comply with other requirements may subject such shareholders or beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans, including cash of GCBC, to our PRC subsidiaries, limit the ability of our PRC subsidiaries to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

In January 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange, and the Operating Rules on the Foreign Exchange Administration of the Evolvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies, or “Circular 78”. Circular 78 has then been superseded by the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Overseas Listed Companies, or “Circular 7”, which became effective from February 15, 2012. Under Circular 7, domestic individuals who participate in equity incentive plans of an overseas listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency to handle regarding issues and entrust an overseas institution to process the exercise of options, purchase and sale of corresponding stocks or equity, and transfer of proceeds. The domestic agency shall go through the foreign exchange registration procedures with the local office of the SAFE at the place where it is located for all individuals participating in the equity incentive plans and shall submit certain forms to the local office of the SAFE periodically to report and declare such plans. Moreover, any substantial or material change and termination or expiration of the equity incentive plans shall be reported to the local office of the SAFE by the domestic agency within time limitation. In respect of all the proceeds obtained by such employees from the overseas listed company through the equity incentive plans, the domestic agency may convert such proceeds into RMB for all the individuals with the bank and then transfer the proceeds obtained from such conversion to the respective domestic RMB accounts of the domestic individuals.

To implement the GCBC Incentive Plan, GCBC established The Magnum Opus International Trust (the “Trust”); and according to the Incentive Plan, the trustee, Magnum Trustee, subscribed a total of 7,080,000 shares for facilitating the grant and vesting of incentive RSUs and hold such shares for the benefit of such executives, directors and key employees as a class. During the year ended March 31, 2018, all the 7,080,000 RSUs granted and deposited in the Trust were fully vested. The form and structure of the Incentive Plan is not the same with the equity incentive plans under Circular 7, therefore we did not go through the procedures required by Circular 7. However, we cannot assure you that the arrangement of the Incentive Plan will not be identified by relevant authorities as an equity incentive plan under Circular 7, and thus that the procedures required by Circular 7 are applicable. Under such circumstance, we will incur costs to fulfill the procedural requirements, and may also be subject to regulatory measures and administrative sanctions, including, but not limited to fines, imposed by SAFE and its local branches.

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The discontinuation of any preferential tax treatment currently available to us and the increase in the enterprise income tax in the PRC could in each case result in a decrease in our profits and materially and adversely affect our results of operations.

Prior to January 1, 2008, the basic enterprise income tax rate for foreign invested enterprises in the PRC was 33.0%, while the PRC government provided various incentives, including reduced tax rates, to foreign-invested enterprises and domestic companies operating in a national level economic and technological development zone. Jiachenhong is registered and operating in a national level economic and technological development zone, and was entitled to a preferential enterprise income tax rate of 15.0%. In addition, Jiachenhong qualified for a tax holiday during which it was entitled to an exemption from enterprise income tax for two years commencing from its first profit-making year of operation and a 50% reduction of enterprise income tax for the following three years. In connection therewith, Jiachenhong was fully exempt from income tax in each of the years ended December 31, 2004 and 2005 and had been subject to enterprise income tax at a reduced rate of 7.5% since the year ended December 31, 2006. The tax holiday expired on December 31, 2008.

On March 16, 2007, the National People's Congress approved and promulgated a new tax law, the PRC Enterprise Income Tax Law, or "EIT Law", which took effect on January 1, 2008 and revised on February 24, 2017. Under the new tax law, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%. On December 26, 2007, the State Council issued the Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives, or "Circular 39". Based on Circular 39, enterprises that enjoyed a preferential tax rate of 15% in accordance with previous laws, regulations and relevant regulatory documents are eligible for a graduated rate increase to 25% over a five-year transition period beginning January 1, 2008. For those enterprises which currently enjoy tax holidays, such tax holidays will continue until their expiration in accordance with previous tax laws, regulations and relevant regulatory documents. While the new tax law equalizes the tax rates for foreign-invested enterprises and domestic companies, preferential tax treatment would continue to be given to companies in certain encouraged sectors and to those classified as HNTE enjoying special support from the government. Additionally, a company which may be concurrently eligible for both preferential treatment to be granted during the transition period and the tax incentives as provided in EIT Law and its implementing rules shall elect the most preferential but only one tax treatment which shall not be changed since making the election. Following the effectiveness of the new tax law, the effective tax rate of Jiachenhong had increased but subject to the eligibility for preferential treatment.

On August 31, 2007, the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") promulgated the Notice Regarding the Issue on Application of Tax Laws by Enterprises, which was then abolished on February 21, 2011. In accordance with such notice, starting from January 1, 2008, enterprises established and registered during the period from March 17, 2007 to December 31, 2007 are required to pay enterprise income taxes at a rate of 25%. Since Nuoya was restructured as a foreign invested enterprise on August 17, 2007, a date that falls within the period from March 17, 2007 to December 31, 2007, Nuoya was deemed as established during that period and was required to pay enterprise income tax at a rate of 25% starting from January 1, 2008. Prior to January 1, 2008, Nuoya was subject to enterprise income tax at the standard rate of 33%.

On April 14, 2008, the Ministry of Science and Technology, the MOF and the SAT jointly promulgated the Administrative Measures for Determination of High-tech Enterprises, or the "Measures for Determination", and the annex thereto (i.e. the High and New Technology Fields under the Key Support from the State). Under the Measures for Determination, the "high-tech enterprises" as mentioned in such Measures refer to the resident enterprises in sectors as listed in the High and New Technology Fields under the Key Support from the State, which have been registered for one year or longer within China (excluding Hong Kong, Macao and Taiwan regions), have incessantly devoted to the research and development as well as transformation of technological achievements, have formed their own independent core intellectual property rights and are carrying out business activities on such basis. On June 22, 2016, the Ministry of Science and Technology, the MOF and the SAT issued the Notice of Revision and Promulgation of the Guidelines for Determination and Administration of High-tech Enterprises (the "Guidelines") which retroactively effected and replaced the Notice of Promulgation of the Guidelines for Determination and Administration of High-tech Enterprises, promulgated on July 8, 2008. Based on the Guidelines, the qualification for the enterprises were classified as high-tech enterprises prior to January 1, 2016, in accordance with previous Guidelines shall remain valid if the validity period of their qualification has not expired. For high-tech enterprises which were granted tax exemption and reduction treatment for a certain period by relevant tax law under previous Guidelines and whose tax holiday has not expired, the above-mentioned stipulations of Circular 39 shall continue to apply.

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Jiachenhong's renewed HNTE certificate was dated October 30, 2014 and was approved by the relevant PRC tax authority on January 2015. Such status was valid retroactively as of January 1, 2014 and expired on December 31, 2016. As a result, Jiachenhong was subject to a reduced tax rate of 15% during such period. Jiachenhong's HNTE status was redetermined by the relevant PRC tax authority in February 2018 and the renewed HNTE certificate was dated October 25, 2017 with a validity of 3 years. Such status is valid retroactively as of January 1, 2017 and will expire on December 31, 2019, and Jiachenhong is subject to a reduced tax rate of 15% during such period. Nuoya's HNTE certificate was dated October 16, 2013 and was approved by the relevant PRC tax authority on April 2014. Such status was valid retroactively as of January 1, 2013 and expired on December 31, 2015. As a result, Nuoya was subject to a reduced tax rate of 15% during such period. Nuoya's HNTE status was subsequently redetermined by the relevant PRC tax authority in March 2017 and the renewed HNTE certificate was dated November 30, 2016 with a validity of 3 years. Such status is valid retroactively as of January 1, 2016 and will expire on December 31, 2018, and Nuoya is subject to a reduced tax rate of 15% during such period. Lukou's HNTE certificate was dated September 17, 2015 and was approved by the relevant PRC tax authority in January 2016. Such status was valid retroactively as of January 1, 2015 and expired on December 31, 2017. As a result, Lukou was subject to a reduced tax rate of 15% during such period. Lukou is in the process of reapplication for its HNTE status. We cannot assure you that Jiachenhong, Nuoya and Lukou will be redetermined as an HNTE and thus continue to enjoy preferential tax treatment upon expiration. Furthermore, because the PRC government may adjust from time to time the encouraged sectors and the specific conditions for determination of high-tech enterprises in response to the development of national economics and technology, we cannot assure you that Jiachenhong, Nuoya and Lukou will have their business operations continuously conform to the applicable conditions for determination of high-tech enterprises published by the government at any time. Once the business we are operating is considered by competent authorities to have substantive differences from the conditions for high-tech enterprise published by the government at that time, our certificates of high-tech enterprise may be revoked, and our position as a high-tech enterprise enjoying certain tax preferential treatment may be lost. Any further legislative changes to the tax regime could further increase the enterprise income tax rate applicable to, or provide for other adverse tax treatments for, our principal subsidiaries in the PRC, the result of which would have a material adverse effect on our results of operations and financial condition. We cannot assure you that Jiachenhong, Nuoya and Lukou will be able to continue to enjoy our current preferential tax treatments.

Under the PRC EIT Law, we and/or our non-PRC subsidiaries may be classified as a "resident enterprise" of the PRC. Such classification could result in PRC tax consequences to us, our non-PRC resident enterprise investors and/or our non-PRC subsidiaries.

Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. An enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise", meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "de facto management bodies" as the managing bodies that in practice exercise "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise; however, it remains unclear whether the PRC tax authorities would deem our managing body or the managing body of any of our non-PRC subsidiaries as being located within the PRC. Due to the short history of the EIT Law and lack of applicable legal precedents, the PRC tax authorities determine the PRC tax resident treatment of a non-PRC company on a case-by-case basis.

If the PRC tax authorities determine that we are, or any of our non-PRC subsidiaries is, a "resident enterprise" for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, we and/or such subsidiary may be subject to the enterprise income tax at a rate of 25% on our and/or such subsidiary's worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, under the EIT Law and its implementing rules, dividends paid between "qualified resident enterprises" are exempt from enterprise income tax. As a result, if we and each of our non-PRC subsidiaries are treated as "qualified resident enterprises", all dividends from our PRC subsidiaries to us (through our non-PRC subsidiaries) should be exempt from PRC tax.

If we or any of our non-PRC subsidiaries is determined to be a PRC "non-resident enterprise" and receives dividends from a subsidiary that is determined to be a PRC "resident enterprise" (assuming such dividends were considered sourced within the PRC), such dividends may be subject to a 10% PRC withholding tax. Any such tax on dividends could materially reduce the amount of dividends, if any, we could pay to our investors.

If we are determined to be a "resident enterprise" under the EIT Law, this could result in a situation in which a 10% PRC tax is imposed on dividends we pay to our enterprise (but not individual) investors that are not tax residents of the PRC ("non-resident investors") and gains derived by them from transferring our ordinary shares, if such income is considered PRC-sourced income by the relevant PRC tax authorities. In such event, we may be required to withhold a 10% PRC tax on any dividends paid to our non-resident investors. Our non-resident investors also may be responsible for paying PRC tax at a rate of 10% on any gain realized from the sale or transfer of our ordinary shares in certain circumstances. We would not, however, have an obligation to withhold PRC tax with respect to such gain under the PRC tax laws.

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Moreover, on February 3, 2015, the SAT issued the Announcement on Several Issues concerning the Enterprise Income Tax on Indirect Transfers of Properties by Non-Resident Enterprises (“Circular 7”, which is partly abrogated in 2017). Pursuant to Circular 7, in the event that nonresidential enterprises indirectly transfer PRC Taxable Properties without reasonable commercial purposes in order to evade PRC enterprise income tax, such indirect transfer will be deemed as a direct transfer of PRC Taxable Properties and, therefore, will be subject to PRC enterprise income tax. Circular 7 provides clearer criteria on how to assess reasonable commercial purposes and allows for safe harbor scenarios applicable to internal group restructurings. In addition, Circular 7 does not apply to situations where (1) the non-resident enterprise transferor obtains income from purchase and sale of equity interests of the same publicly-listed overseas enterprise in a public securities market; or (2) if the non-resident enterprise directly holds and transfers the PRC Taxable Property, income obtained from such transfer could be exempted from enterprise income tax in China. Under Circular 7 and subject to the above exceptions, an indirect transfer of PRC Taxable Properties shall be directly deemed as having no reasonable commercial purposes if the following circumstances are satisfied: (i) more than 75% of the value of overseas enterprises’ shares directly or indirectly comes from PRC Taxable Properties; (ii) at any time within one year before the indirect transfer of PRC Taxable Properties, more than 90% the total amount of overseas enterprises’ assets (excluding cash) are directly or indirectly constituted by their investment within the PRC, or within one year before the indirect transfer of PRC Taxable Properties, more than 90% of the overseas enterprises’ income directly or indirectly derive from the PRC; (iii) the overseas enterprises and their controlling enterprises, which directly or indirectly hold PRC Taxable Properties, cannot justify the economic substance of the corporate structure; and (iv) overseas tax payment regarding indirect transfer of PRC Taxable Properties is lower than PRC tax payment regarding direct transfer of PRC Taxable Properties. Circular 7 also brings uncertainties to the offshore transferor and transferee of the indirect transfer of PRC Taxable Properties as they have to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or the Circular 37, which came into effect on December 1, 2017. Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Pursuant to Circular 7 and Circular 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to file the taxes.

As a result, where non-resident investors were involved in our private equity financing or share transfer of our company between two or more offshore parties, if such transactions were determined by the tax authorities as lack of reasonable commercial purpose, we and our non-resident investors may become at risk of being taxed under SAT Circular 7 and Circular 37, and may be required to expend valuable resources to comply with SAT Circular 7 and Circular 37 or to establish that we should not be taxed under SAT Circular 7 and Circular 37, which may have an adverse effect on our financial condition and results of operations.

If any PRC tax applies to a non-resident investor, the non-resident investor may be entitled to a reduced rate of PRC tax under an applicable income tax treaty and/or a deduction for such PRC tax against such investor’s domestic taxable income or a foreign tax credit in respect of such PRC tax against such investor’s domestic income tax liability (subject to applicable conditions and limitations). Investors should consult their own tax advisors regarding the applicability of any such taxes, the effects of any applicable income tax treaties, and any available deductions or foreign tax credits.

Changes in PRC government policy on foreign investment in China may adversely affect our business and results of operations.

Our subsidiaries in Beijing and Guangdong are foreign investment enterprises. As we conduct a significant portion of our businesses through foreign investment enterprises in the PRC, we are subject to restrictions on foreign investment policies imposed by the PRC law from time to time. If we cannot obtain approval from relevant approval authorities to engage in businesses that become restricted or prohibited for foreign investors, we may be forced to sell or restructure the businesses that have become restricted or prohibited for foreign investment. If we are forced to adjust our business portfolio as a result of changes in government policy on foreign investment, our business, financial condition and results of operations would likely be materially adversely affected. Our subsidiary, Lukou, of which 90% equity interest is held by our subsidiary, Jiachenhong, is not a foreign invested enterprise under PRC Law.

Changes in PRC laws and regulations on labor and employee benefits may adversely affect our business and results of operations.

As we conduct a significant portion of our business through our subsidiaries in China, we are subject to PRC laws and regulations on labor and employee benefits. In recent years, the PRC government has implemented policies to strengthen the protection of employees and obligate employers to provide more benefits to their employees. In addition, an employment contract law came into effect in China on January 1, 2008. The PRC employment contract law and related legislations require more benefits to be provided to employees, such as an increase in pay or compensation for termination of employment contracts. As a result, we expect to incur higher labor costs, which would have an adverse impact on our business and results of operations.

Our management capability is confronted with challenges due to requirements by PRC government in relation to protection of personal information.

In February 2009, the Chinese National People's Congress promulgated the Criminal Law Amendment (7) ("Amendment (7)"), which, among other things, provides that any government, financial institutions, telecommunications organizations, or transportation, education, health care institutions or similar institutions or their employees who illegally sell or provide personal information which is obtained in the process of performing their duties would constitute a crime. The aforementioned clause was replaced by relevant clause in Criminal Law Amendment (IX) ("Amendment (IX)") promulgated by the Chinese National People's Congress on August 29, 2015. According to Amendment (IX), selling or providing, in violation of relevant provisions of the State law, citizens' personal information would constitute a crime. Amendment (IX) came into effect on November 1, 2015. In the ordinary operations of our company, we have the opportunity to contact, obtain or be exposed to personal information of our subscribers and their close relatives. If we, our business partners or some of our employees are found to violate the criminal law by illegally providing or selling our subscribers' private information, we will be confronted with lawsuit and our reputation will be ruined. Therefore, we may have to devote more resources and management efforts to reinforce our internal control system to ensure that our subscriber's individual information will not be illegally disclosed. In spite of this, our subscribers' information may also be unexpectedly disclosed, and in some cases, we may, based on due reasons and through lawful channels, provide our subscribers' information to a third person. There is no assurance whether such person have violated Amendment (7), and/or that such person would not violate the Criminal Law Amendment (IX) and use the information it receives from us in the agreed manners. The law does not provide clearly whether we will be prosecuted or will be required to bear other legal responsibilities in the event the person who receives personal information from us abuses such information. There is a possibility that we will be claimed by our subscribers for our failure in protecting their private information and such claim may be supported by the court. We may also be subject to investigation from criminal judiciary or even criminal penalties. Our corporate image may, as a result, also be materially adversely affected in such circumstances, which in turn may affect our ability to recruit new clients and our financial performance.

Risks to our Shareholders

The market price for our ordinary shares may be volatile.

The market price for our ordinary shares is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results and changes or revisions of our expected results;
- changes in financial estimates or recommendation by securities research analysts;
- restatements conforming to the applicable accounting standards;
- conditions in the markets for cord blood banking service;
- changes in the economic performance or market valuations of companies specializing in cord blood banking services;
- announcements by us and our affiliates or our competitors of new products, acquisitions, strategic relationships, joint ventures or capital commitments;
- changes in key supplier(s) or the shareholding of our key supplier(s);
- addition or departure of our shareholders, senior management and key research and development personnel;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;
- material litigation or investigation of any kind;
- changes in market or investors perception toward U.S. listed Chinese companies;
- change in controlling shareholder;

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- unfounded accusations by investors or non-investors about us or other U.S. listed Chinese companies;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares;
- change in business strategy; and
- sales or perceived potential sales of our ordinary shares or instruments convertible into ordinary shares.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ordinary shares.

Cayman Islands law may be less protective of shareholder rights than the laws of the U.S. or other jurisdictions.

We are registered by way of continuation under the laws of the Cayman Islands. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”) and the common law of the Cayman Islands. The rights of shareholders to take action against our directors and us, the rights of minority shareholders to institute actions, and the fiduciary responsibilities of our directors to us are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the latter of which has persuasive, but not binding, authority on a court in the Cayman Islands. Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States.

As a result of all of the above, our shareholders may have more difficulty in protecting their interests in the face of actions taken by management, our directors or principal shareholders than they would as a shareholder of a U.S. company.

Your ability to bring an action against us or against our directors and executive officers, or to enforce a judgment against us or them, will be limited.

We are not incorporated in the United States. We conduct our business outside the United States, and substantially all of our assets are located outside the United States. Most of our directors and executive officers are non-U.S. citizens/residents, and substantially all of the assets of those persons are located, outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under U.S. securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands or the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and executive officers. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would (i) recognize or enforce judgments of U.S. courts against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

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If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ordinary shares may be adversely affected.

Our reporting obligations as a public company place a significant strain on our management, operational and financial resources and systems. We must maintain financial and disclosure control procedures and corporate governance practices that enable us to comply, on a standalone basis, with the Sarbanes-Oxley Act of 2002 and related SEC rules. Failure to maintain the necessary controls and procedures would make it difficult to comply with SEC rules and regulations with respect to internal control and financial reporting. We intend to continue to take further actions to continue to improve our internal controls. If we are unable to implement solutions to any weaknesses in our existing internal controls and procedures, or if we fail to maintain an effective system of internal controls in the future, we may be unable to accurately report our financial results or prevent fraud and investor confidence and the market price of our ordinary shares may be adversely impacted.

We have previously instituted changes to our internal controls and management systems to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We had engaged external Sarbanes-Oxley consultants to advise us on Sarbanes-Oxley compliance issues and may do so again in the future. Section 404 requires us to perform an evaluation of our internal controls over financial reporting and file annual management assessments of their effectiveness with the SEC. The management assessment to be filed is required to include a certification of our internal controls by our chief executive officer and chief financial officer. In addition to satisfying requirements of Section 404, we may also make improvements to our management information system to computerize certain manual controls, establish a comprehensive procedures manual for U.S. GAAP financial reporting, strengthen our anti-corruption policy and increase the headcount in the accounting and internal audit functions with professional qualifications and experience in accounting and financial reporting under U.S. GAAP.

Our auditors are required to attest to our evaluation of internal controls over financial reporting. Unless we maintain the adequacy of these controls as such standards are modified or amended from time to time, we may not be able to comply with Section 404 of the Sarbanes-Oxley Act of 2002. As a result, our auditors may be unable to attest to the effectiveness of our internal controls over financial reporting. This could subject us to regulatory scrutiny and result in a loss of public confidence in our management, which could, among other things, adversely affect the price of our ordinary shares and our ability to raise additional capital.

We may not be able to pay any dividends on our ordinary shares.

Under Cayman Islands law, we may only pay dividends out of our profits or our share premium account subject to our ability to service our debts as they become due in the ordinary course of business. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. Although our Board of Directors declared a dividend with respect to the fiscal year ended March 31, 2018, future dividends, if any, will be at the discretion of our Board of Directors, subject to obtaining all relevant approvals, and will depend upon our results of operations, our cash flows, our financial condition, the payment of cash dividends from our subsidiaries to us, our capital needs, future prospects and other factors that our directors may deem appropriate. You should refer to “Information on the Company — Business Overview — Regulation — Dividend Distributions” in this report for additional information regarding our current dividend policy for additional legal restrictions on the ability of our PRC subsidiaries to pay dividends to us.

In addition, due to the failure of the Measures for Administration of Blood Stations to define or interpret the terms “non-profit”, “for-profit” or “for the purpose of making a profit” as they relate to our business, we cannot assure you that the PRC government authorities will not request our subsidiaries to use their after-tax profits for their own development and restrict our subsidiaries’ ability to distribute their after-tax profits to us as dividends.

We incurred additional costs as a result of being a public company in the United States, which affected our profits.

We are subject to the reporting obligations of the SEC, which many consider to be more stringent, rigorous and expensive than operating a privately held company. In particular:

- We incur costs in order to comply with U.S. corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as new rules implemented by the SEC and the Financial Industry Regulatory Authority, or “FINRA”.
- We incur costs in implementing and verifying internal control procedures as required by section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations thereunder.

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- We are required under U.S. rules and regulations to attract and retain additional independent directors to serve on our Board of Directors. We may encounter difficulty in attracting and retaining qualified independent directors to serve on our Board of Directors and our Audit Committee.

If we fail to attract and retain independent directors, we may be subject to SEC enforcement proceedings and delisting by the exchange on which we are listed at the time. The costs incurred to comply with various listing requirements, including but not limited to, U.S. corporate governance compliance related expenses, internal control expense, and directors and officers' insurance related expenses may continue to increase in the future, and, in turn, will increase our operating expenses and reduce our profit.

The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.

Sales of substantial amounts of our ordinary shares (or derivative instruments convertible into our ordinary shares) in the public market, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and could materially impair our future ability to raise capital through offerings of our ordinary shares.

Volatility in the price of our ordinary shares may result in shareholder litigation that could in turn result in substantial costs and a diversion of our management's attention and resources.

The financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices of healthcare companies have been and continue to be extremely volatile. Volatility in the price of our ordinary shares may be caused by factors outside our control and may be unrelated or disproportionate to our results of operations. In the past, following periods of volatility in the market price of a public company's securities, shareholders have frequently instituted securities class action litigation against that company. Litigation of this kind could result in substantial costs and a diversion of our management's attention and resources.

If we become directly subject to the scrutiny involving U.S. listed Chinese companies, we may have to expend significant resources to investigate and/or defend the matter, which could harm our business operations, stock price and reputation.

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny by investors, financial commentators and regulatory agencies. Much of the scrutiny has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial reporting and, in many cases, allegations of fraud. As a result of the scrutiny, the publicly traded stock of many U.S. listed China-based companies that have been the subject of such scrutiny has sharply decreased in value. Many of these companies are now subject to shareholder lawsuits and/or SEC enforcement actions that are conducting internal and/or external investigations into the allegations. If we become the subject of any such scrutiny, whether any allegations are true or not, we may have to expend significant resources to investigate such allegations and/or defend our company. Such investigations or allegations will be costly and time-consuming and distract our management from our business plan and could result in our reputation being harmed and our stock price could decline as a result of such allegations, regardless of the truthfulness of the allegations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a Cayman Islands company registered by way of continuation in the Cayman Islands on June 30, 2009.

GCBC, formerly known as CCBC, was formed through a business combination (the "Business Combination"), which involved the merger of Pantheon China Acquisition Corp. ("Pantheon") with and into Pantheon Arizona Corp. ("Pantheon Arizona"), then a wholly owned subsidiary of Pantheon formed for the purpose of effecting a merger, with Pantheon Arizona surviving the merger (the "Merger") and the conversion and continuation of Pantheon Arizona's corporate existence from Arizona to the Cayman Islands (the "Redomestication"). Immediately following the Redomestication, the participating shareholders of approximately 93.94% of the issued and outstanding shares of CCBS completed a share exchange with Pantheon Arizona, and Pantheon Arizona changed its name to CCBC, resulting in CCBS becoming a subsidiary of CCBC and the participating shareholders becoming holders of CCBC's ordinary shares (the "Share Exchange"). Subsequent to the Share Exchange, CCBC entered into agreements to exchange 3,506,136 newly issued CCBC shares for the remaining 6.06% of the issued and outstanding shares of CCBS on terms substantially similar to those of the Business Combination, resulting in CCBS becoming our wholly owned subsidiary. In connection with the Business Combination, we agreed to issue up to 9,000,000 ordinary share purchase warrants to our management pursuant to a warrant incentive scheme, subject to us achieving certain performance thresholds. Notwithstanding achievement of these thresholds, no warrants were ever issued, and on July 14, 2010 the scheme was cancelled.

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CCBS was incorporated on January 17, 2008 under the Companies Law to become the direct holding company of CSC Holdings. CCBS has three operating subsidiaries in China: Jiachenhong, Nuoya and Lukou. As of March 31, 2018, CCBS holds an indirect 100.0% interest in each of Jiachenhong and Nuoya and an indirect 90.0% interest in Lukou. In addition, CCBS held an indirect 10.1% interest in Cordlife Singapore, a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines.

Immediately following the Business Combination and the share exchange with CCBS' remaining shareholders, Golden Meditech (a publicly traded company on the Hong Kong Stock Exchange and its primary focus is in PRC healthcare industry) owned 46.3% of CCBC's issued shares through its wholly-owned subsidiary, GM Stem Cells. The participating shareholders of CCBS (excluding Golden Meditech) owned 45.8% of CCBC's issued shares, the public shareholders owned approximately 0.2% of CCBC's issued shares, the management team of Pantheon prior to the Business Combination owned 2.0% of CCBC's issued shares and the CCBC management team owned 5.7% of CCBC's issued shares.

The Business Combination was accounted for in accordance with U.S. GAAP as a capital transaction in substance. Pantheon was treated as the "acquired" company for financial reporting purposes. This determination was primarily based on CCBS comprising the ongoing operations of the combined entity, the senior management of CCBS continued as the senior management of the combined company and CCBS shareholders retaining the majority of voting interests in the combined company. For accounting purposes, the Business Combination was treated as the equivalent of CCBS issuing stock and warrants for the net assets of Pantheon, accompanied by a recapitalization. Operations of the combined entity prior to the Business Combination are those of CCBS. The remaining 6.06% issued and outstanding shares of CCBS not exchanged in the Business Combination were recorded as redeemable non-controlling interest. Upon completion of the share exchange with the remaining 6.06% CCBS shares in August 2009, the carrying amount of such non-controlling interest was adjusted to reflect the change in CCBC's ownership interest in CCBS. The difference between the fair value of the CCBC shares issued and the amount by which the non-controlling interest is adjusted, together with the transaction costs incurred, was recognized in equity attributable to CCBC.

On November 19, 2009, CCBC was listed on the NYSE with a ticker symbol "CO". On November 24, 2009, CCBC completed a public offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per share. An over-allotment issuance of 495,867 ordinary shares was completed in January 2010. Total gross proceeds raised (including the over-allotment issuance) amounted to \$23 million. The proceeds were used for the expansion into new geographical markets, including applications for new licenses and acquisitions and investments, and for the construction and upgrading of facilities in existing geographical markets.

In May 2010, we invested in a 19.9% equity interest in Qilu, the exclusive cord blood banking operator in the Shandong province.

In June 2010, we entered into an agreement to underwrite the Cordlife's rights issue which amounted to AUD11.6 million. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of approximately AUD2.0 million. Prior to the restructuring of Cordlife, Cordlife was a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines. We paid an aggregate of AUD12.4 million as consideration to acquire for a total of 24,366,666 shares in Cordlife. After the restructuring, developing cord blood banking businesses in Indonesia, India and the Philippines were operated under LFC, which was listed on the Australian Securities Exchange, while the more mature cord blood banking businesses in Singapore and Hong Kong were operated under Cordlife Singapore, which was listed on the Singapore Exchange on March 29, 2012. After the restructuring of Cordlife, we hold 24,366,666 shares in LFC; Cordlife Singapore was listed on the Singapore Exchange subsequently on March 29, 2012, and we hold 24,366,666 shares in Cordlife Singapore. In June 2013, Cordlife Singapore completed the acquisition of the cord blood and cord tissue banking businesses in Indonesia, India and the Philippines from LFC. After the acquisition, Cordlife Singapore operates cord blood banking businesses in both mature markets such as Singapore and Hong Kong, and developing markets such as Indonesia, India and the Philippines. Cordlife Singapore also acquired Stemlife, a Malaysia-based cord blood banking operator. In December 2013, LFC acquired an unlisted company which engaged in the provision of funeral and related services, and thereafter, LFC's principal activities changed to the provision of funeral and related services. LFC's issued share capital was consolidated on the basis that each parcel of three shares held by a shareholder was consolidated into one new share. After the share consolidation, we owned a total of 8,122,222 shares in LFC. In November 2014, we acquired 1,150,000 shares in Cordlife Singapore at a consideration of approximately RMB4.6 million. In February 2018, we disposed of all of our shares in LFC to liquidate our non-core investment since we had no strategic proposition relating to funeral business. As of March 31, 2018, we owned 25,516,666 shares in Cordlife Singapore, which represents 10.1% equity interest.

In September 2010, we announced the execution of a framework agreement to form a non-wholly owned subsidiary, Lukou, with the Zhejiang Provincial Blood Center. The new entity which completed business registration and regulatory approval procedures in February 2011, is 90% owned and controlled by us.

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In November 2010, we completed a follow-on public offering of 7,000,000 shares at \$4.50 per share. Total gross proceeds of \$31.5 million raised are being used in building out our Zhejiang operation and for general working capital purposes.

In December 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the warrant exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

On April 27, 2012, we completed the sale of \$65 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes were convertible into ordinary shares at a conversion price of \$2.838 per share to BCHIL. On August 26, 2015, BCHIL transferred the convertible notes to Excellent China Healthcare Investment Limited (“ECHIL”). On the same day, Magnum Opus 2 International Holdings Limited (“Magnum 2”) acquired from BCHIL the convertible notes through acquisition of all the issued and outstanding shares of ECHIL. On January 4, 2016, Golden Meditech acquired from ECHIL the convertible notes and subsequently transferred the convertible notes to GM Stem Cells. In April 2017, GM Stem Cells converted such convertible notes and we issued 22,903,454 shares in exchange for the cancellation of the convertible notes.

In August 2012, we entered into a share purchase agreement with Cordlife Singapore in which we agreed to sell to Cordlife Singapore, and Cordlife Singapore agreed to purchase, 7,314,015 of our ordinary shares for a total purchase price of approximately \$20.8 million. Contemporaneously, CSC South entered into a shares repurchase agreement with Cordlife HK to repurchase the 10% of its shares held by Cordlife HK for approximately \$16.8 million. Upon completion of the transactions on November 12, 2012, Nuoya became our indirect wholly owned subsidiary and Cordlife Singapore acquired 7,314,015 of our ordinary shares, representing approximately 10% of our issued ordinary shares as of the closing date. Such 7,314,015 ordinary shares were subsequently acquired by Golden Meditech in November 2015.

On October 3, 2012, we completed the sale of \$50 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are convertible into ordinary shares at a conversion price of \$2.838 per share to Golden Meditech. In November 2014, Golden Meditech completed the sale of such convertible note to Cordlife Singapore and Magnum Opus International Holdings Limited (“Magnum Opus”) on a several and not joint basis, each 50% of the convertible notes. In May 2015, Golden Meditech has entered into agreements with Cordlife Singapore and Magnum Opus to purchase the convertible notes. The acquisitions of convertible notes from Cordlife Singapore and Magnum Opus were completed in November and December 2015, respectively, and the convertible notes were subsequently transferred to GM Stem Cells. In April 2017, GM Stem Cells converted such convertible notes and we issued 17,618,040 shares in exchange for the cancellation of the convertible notes.

In December 2012, Favorable Fort entered into a shares purchase agreement with Cordlife Services, pursuant to which Favorable Fort agreed to repurchase the 17% of its outstanding ordinary shares not indirectly owned by CCBC from Cordlife Services for a total purchase price of approximately \$8.7 million. Upon completion of the transaction in February 7, 2013, Favorable Fort became an indirect wholly owned subsidiary of CCBC and CCBC’s effective equity interest in Qilu increased from 19.9% to 24.0%.

Our annual general meeting in February 2011 resolved to adopt an Incentive Plan which has a mandate limit of granting rights to receive ordinary shares not exceeding 10% of our issued and outstanding share capital to directors, officers, employees and/or consultants of GCBC and our subsidiaries. Certain administrative provisions of the Incentive Plan were subsequently amended by our Board of Directors in August 2014. A total of 7,300,000 RSUs were issued and outstanding for each of the fiscal year 2015, 2016 and 2017. During the year ended March 31, 2018, all 7,300,000 RSUs granted were fully vested and no RSUs were issued and outstanding as of March 31, 2018.

On April 27, 2015, our Board of Directors received a non-binding proposal letter from Golden Meditech, pursuant to which Golden Meditech proposed to acquire all of the outstanding ordinary shares of the Company not already directly or indirectly owned by Golden Meditech for \$6.40 per ordinary share in cash in a “going private” transaction (the “GM Proposal”). On the same day, the Board of Directors formed a special committee of independent directors (the “Special Committee”), consisting of Mr. Mark Chen, Ms. Jennifer Weng and Dr. Ken Lu, who are not affiliated with Golden Meditech, to evaluate the GM Proposal and certain other potential transactions involving the Company. The Special Committee subsequently appointed Houlihan Lokey (China) Limited as its independent financial advisor, Cleary Gottlieb Steen & Hamilton LLP as its United States legal counsel and Maples & Calder as its Cayman Islands legal counsel to assist in evaluating GM Proposal and the Company’s other alternatives. On April 13, 2017, the Board of Directors of the Company adopted the recommendation of the Special Committee to terminate any further evaluation and negotiation regarding the GM Proposal. In making its recommendation, the Special Committee had taken into account various factors including but not limited to the pending transaction between GM Stem Cells and Nanjing Ying Peng, Nanjing Ying Peng’s future plans regarding the Company after the acquisition is completed and the overall viability of the proposal. The Special Committee’s recommendation was unanimous and the adoption of its recommendation by the full Board of Directors of the Company was unanimous, with the then Chairman Mr. Yuen Kam abstaining.

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On December 30, 2016, GM Stem Cells and Nanjing Ying Peng entered into a conditional sale and purchase agreement (the “GM Sale Agreement”), pursuant to which GM Stem Cells agreed to sell to Nanjing Ying Peng the GM Sale Shares, representing approximately 65% equity interest of the Company on a fully diluted basis, for RMB5.764 billion in cash. GM Stem Cells and Nanjing Ying Peng also entered into a profit compensation agreement, pursuant to which GM Stem Cells agreed to provide certain undertakings to Nanjing Ying Peng with respect to the financial performance of the Company for each of the calendar years ending 31 December 2016, 2017 and 2018. The transaction as contemplated under the GM Sale Agreement was consummated on January 31, 2018 and GM Stem Cells ceased to own any shares of the Company. Nanjing Ying Peng, via its subsidiary, became a major shareholder of the Company. Following the entry of Nanjing Ying Peng, its authorized representative of the executive partner, Mr. Ping Xu, was appointed as a director of the Board of Directors of the Company. Simultaneously, Mr. Yuen Kam resigned from his positions as chairman and director of the Board of Directors and as chairman and member of the Nominating and Corporate Governance Committee of the Company, effective as of January 31, 2018. Following Mr. Kam’s resignation, Ms. Ting Zheng, chief executive officer of the Company, was appointed as the chairperson of the Board of Directors and the chairperson of the Nominating and Corporate Governance Committee. Mr. Mark D. Chen, one of the Company’s existing independent non-executive directors, also joined as a new member of the Nominating and Corporate Governance Committee.

On March 16, 2018, the shareholders approved the change of the Company name from “China Cord Blood Corporation” to “Global Cord Blood Corporation” through an extraordinary general meeting to better reflect the future development direction and business strategy of the Company. The Company’s ordinary shares commenced trading under the new name on the NYSE with effect from March 22, 2018.

B. Business Overview

Overview

We are the leading provider of cord blood banking services in China. We provide cord blood processing and storage services for expectant parents interested in capturing the opportunities made available by evolving medical treatments and technologies such as cord blood transplants. We also preserve cord blood units donated by the public, provide matching services on such donated units and deliver matching units to patients in need of transplants. Our Beijing-based subsidiary, Jiachenhong, was the operator of the first licensed cord blood bank in China. The PRC government only grants one cord blood banking license per province or municipality. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses. Our operations currently benefit from multiple exclusive cord blood banking licenses issued in China, including our licenses for Beijing, Guangdong and Zhejiang. We also have a 24.0% equity interest in Qilu, the operator of the exclusive licensed cord blood bank in the Shandong province.

Our cord blood banking network is the largest in China. The aggregate number of births in our operating regions, namely Beijing, Guangdong and Zhejiang, was estimated to be over 2.1 million in 2016, accounting for approximately 42% of the total newborn population in the seven provinces and municipalities that have been authorized or issued cord blood banking licenses to date, according to the China Statistical Yearbook 2017. We believe our leading market position and track record of growing our subscriber base positions us well to continue to expand our presence in China. According to the China Statistical Yearbook 2017, the nation has a newborn population of approximately 17.9 million in 2016; and according to the CIA World Factbook, China had the second largest newborn population in the world. Cord blood banking as a precautionary healthcare measure is still a relatively new concept in China, with penetration rates that we estimate to be less than 1% of China’s overall newborn population. The estimated penetration rate in our operating regions is approximately 3%, 3% and 4% for the fiscal years ended March 31, 2015, 2016 and 2017 (based on the number of new subscriber sign-ups for the fiscal years ended March 31, 2015, 2016 and 2017 divided by the number of newborns of calendar years ended December 31, 2014, 2015 and 2016 according to the China Statistical Yearbook). We expect the demand for cord blood banking services will continue to grow due to factors such as rapidly rising disposable income in the PRC and increasing public awareness of the benefits of cord blood and hematopoietic stem cell related therapies.

Furthermore, we are also a significant shareholder with 10.1% equity interest (as of March 31, 2018) in Cordlife Singapore, which is listed on the Singapore Exchange and operates cord blood banking businesses in Singapore, Hong Kong, Indonesia, India, Malaysia and the Philippines. Such strategic positioning provides us the strategic exposure in attractive markets such as India, Indonesia, Malaysia and the Philippines, and strategic presence in mature markets such as Singapore and Hong Kong respectively.

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We have developed a highly effective sales and marketing platform that has enabled us to consistently grow our cord blood subscriber base in the markets we serve. Our 731-person sales team has direct access to expectant parents through collaboration with 352 hospitals in Beijing, Guangdong and Zhejiang. We also cooperate with some local government family planning agencies and medical institutions and utilize a variety of marketing programs, including media advertising, seminars and pre-natal classes, to further educate expectant parents on the benefits of cord blood banking. Our accumulated subscriber base has grown from 23,322 in March 2007 to 661,618 in March 2018.

We generate substantially all of our revenues from subscription fees. The standard payment arrangement for our services consists of processing fees payable at the time of subscription and storage fees payable by our subscribers on an annual basis for as long as the contracts remain effective, which typically have a contract period of 18 years. The contracts can be terminated early by the parents at each anniversary of the contract or further extended, at the option of the children, after reaching adulthood. This payment structure provides us with a steady stream of recurring revenue and cash flow. For the year ended March 31, 2018, storage revenue represented 34.7% of our total revenues.

We recorded revenues and net income of RMB936.8 million (\$149.3 million) and RMB240.9 million (\$38.4 million), respectively, during our fiscal year ended March 31, 2018.

Our Strengths

We are the leading provider of cord blood banking services in China. We believe the following strengths differentiate us from our competitors and enable us to maintain our leadership position:

Leading Market Presence. We are the first and largest cord blood banking operator in China with an exclusive presence in Beijing, Guangdong and Zhejiang, and an investment in Shandong. As of the date of this report, only seven licenses have been authorized in China, and we are the only operator with multiple licensed cord blood banks and the only China operator with a pan-Asian exposure. Amongst cord blood banking operators in China, we have the longest history of delivering cord blood banking services and have established strong brand recognition in delivering quality cord blood banking services, which has allowed us to grow our subscriber base from 23,322 in March 2007 to 661,618 in March 2018. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses. As the licensing process requires applicants to demonstrate their ability to preserve cord blood for use in stem cell transplants, we believe our familiarity with the regulatory framework, combined with our established track record and reputable brand, gives us a competitive advantage comparing to other PRC operators. Our leadership and track record also make us an attractive strategic partner for license holders and applicants and position us well to continue to grow our leading position.

Extensive Hospital Network. We provide our services through collaboration with 352 hospitals in Beijing, Guangdong and Zhejiang. Our extensive hospital network provides us with a platform for performing cord blood collection services and allows our 731-person sales force to have direct access to expectant parents. Our focus on building an extensive hospital network by collaborating with hospitals has also contributed to our successful growth. We expect the number of our collaborating hospitals to increase over time, which will help us further penetrate the markets we currently serve.

Well-Developed and Effective Marketing Program. Cord blood banking as a precautionary healthcare measure is a relatively new concept in China. To increase penetration in our existing markets, we have developed a comprehensive marketing program that aims to increase cord blood banking penetration in the markets we operate by educating expectant parents on the benefits of cord blood, including the following:

- We undertake various joint marketing efforts with our collaborating hospitals such as educational sessions at pre-natal classes, one-on-one discussions with expectant parents, and the assignment of designated staff members to answer questions from expectant parents. To ensure quality services we require these staff members to complete a training program before approaching prospective subscribers.
- We maintain cooperative relationships with several government agencies to educate the public concerning cord blood banking.
- We educate the public on the benefits of cord blood banking through an extensive portfolio of promotional materials, including billboards and newsletters that offer detailed information on the importance of cord blood and hematopoietic stem cell therapy.

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Advanced Infrastructure in Place to Meet Market Demand. We maintain an advanced infrastructure for the transportation, testing, processing and storage of cord blood and have devoted considerable management and financial resources in upgrading and improving our facilities and supporting infrastructure. Our facilities in Beijing, Guangdong and Zhejiang are equipped with state-of-the-art laboratories, storage cylinders, automated monitoring systems and advanced equipment to handle the testing, processing and storage of cord blood. In addition, the cord blood banks operated by our Beijing and Guangdong subsidiaries have been granted the AABB Accreditation with regard to cord blood processing and storage services. With our existing infrastructure in Beijing, Guangdong and Zhejiang, we believe we have the ability to meet increasing market demand.

Capable and Experienced Management Team. Our core management team consists of experienced managers and preeminent medical experts, all of whom have in-depth knowledge and significant experience in one or more emerging healthcare sectors in China. Ms. Ting Zheng, our chairperson and chief executive officer, has over ten years of experience in the field of corporate strategy in China's healthcare industry. Mr. Albert Chen, our chief financial officer, is a CFA charterholder and has over ten years of experience in the pharmaceutical and healthcare industries. Ms. Rui Arashiyama, our chief executive officer in the Guangdong and Zhejiang divisions, has over ten years of sales and marketing experiences in China and in-depth knowledge about China's consumer market and regulatory environment. Ms. Xin Xu, our chief technology officer, has over twenty years of experience in Cryobiology research and lectured Cryobiology at Beijing Medical University. We believe our management's complementary backgrounds, extensive experience and in-depth knowledge of China's healthcare sector provide a strong foundation for our future growth.

Our Strategies

The cord blood banking industry in China is a relatively young industry with attractive opportunities due to China's large population and rapid economic growth. Our goal is to grow our business and build a reputable, committed, caring and socially responsible healthcare company through the following strategies:

Further Penetrate Existing Markets. We plan to further increase cord blood banking penetration in our existing markets by expanding our hospital network, broadening our sales and marketing team, and further promoting public understanding of the benefits of cord blood. Over the years, we have successfully expanded our network of collaboration with hospitals and aggregate subscriber base to 352 hospitals and 661,618 subscribers as of March 31, 2018. Our operational track record and in depth understanding of our markets allows us to further increase penetration and grow our existing markets.

Acquire the Right to Operate Additional Cord Blood Banks and Invest in Other Cord Blood Banks in China. We intend to acquire the right to operate additional cord blood banks and invest in other cord blood banks in China through investments or acquisitions of existing operators of licensed cord blood banks and potential license applicants. We successfully completed the acquisition of a 90% ownership stake in Nuoya, which operates the Guangdong Cord Blood Bank, in May 2007. We further increased our equity interest in Nuoya and it became our wholly owned subsidiary in November 2012. In May 2010, we acquired 19.9% equity interest in Qilu, which operates the Shandong Cord Blood Bank. We further increased our equity interest in Qilu to 24.0% in February 2013. During the year ended March 31, 2011, we established a 90% owned subsidiary, Lukou, which exclusively operates the licensed cord blood bank in the Zhejiang province. We believe that our experience in license acquisition and our track record of growing our subscriber base and hospital network positions us to be the preferred strategic partner for license holders and potential applicants.

Expand Overseas Presence. We believe there are significant opportunities to expand our cord blood banking services into other attractive markets. We own approximately 10.1% equity interest in Cordlife Singapore (as of March 31, 2018) which is listed on the Singapore Exchange. Cordlife Singapore is the leading cord blood banking operators in Asia, with operations in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines, countries or region with approximately 51,000, 64,000, 24.4 million, 4.2 million, 0.6 million and 2.5 million annual births, respectively, according to the CIA World Factbook. We plan to leverage on and further enhance our collaboration with Cordlife Singapore as Cordlife Singapore gives us the exposure and knowledge about the Southeast Asia market. Additionally, we will continue to identify overseas opportunities and gradually expand our presence internationally. We believe our extensive expertise and track record will allow us to successfully become a multi regions operator.

Our Revenue Model

The payment for our services consists of processing fees payable at the time of subscription or in certain circumstances by installments, depending on the payment option elected by subscribers, and 18 years of storage fees payable by our subscribers by a lump sum payment at the time of subscription or on an annual basis for as long as the contracts remain effective. For further information of our various payment options, please refer to “Operating and Financial Review and Prospects — Factors Affecting Our Financial Condition and Results of Operations — Payment Methods for Subscribers”. Our payment structure enables us to enjoy a steady stream of long-term cash inflow. We expect such long-term cash flow to continue to increase as our subscriber base continues to grow. In addition, we generate a small portion of revenue from the fees we charge in providing matching units we collect from public donors to the hospitals for patients who are in need of transplants.

Our direct costs (cost of revenues) consist of fixed costs and variable costs. Fixed costs primarily relate to depreciation of our storage facilities, technical consulting fee for advisory services in relation to our operations and amortization of our operating rights in Guangdong and Zhejiang provinces. Variable costs primarily relate to labor and raw material consumption. For the years ended March 31, 2016, 2017 and 2018, depreciation expenses, our most significant fixed cost, accounted for 20.6%, 20.9% and 16.6%, respectively, of our direct costs. Technical consulting fee accounted for 3.0%, 4.9% and 4.3%, respectively, of our direct costs, and amortization expenses accounted for 3.2%, 3.2% and 2.5%, respectively, of our direct costs.

Our Cord Blood Banking Services

Our cord blood banking operations primarily consist of our subscription services, which involve the preservation of cord blood for the new born as a precautionary healthcare measure for the benefit of the children and other family members. Our subscription services accounted for 99.3%, 99.4% and 99.2% of our revenues for the years ended March 31, 2016, 2017 and 2018, respectively.

We have developed hospital networks by entering into collaborative agreements with hospitals located in Beijing, Guangdong and Zhejiang, where we operate licensed cord blood banks. Our collaborating hospitals collect the cord blood of the newborns of our subscribers and we reimburse them handling fees for the collection services performed.

Our subscribers are required to enter into a subscription contract with us prior to the birth of their children. The contract provides for the collection of cord blood from their newborns at one of our collaborating hospitals and preservation of the cord blood for an initial storage period up to 18 years. On the 18th anniversary, the child, who will have reached adulthood, will have the exclusive right to decide whether to extend the subscription for our services or to relinquish ownership of his or her cord blood for donation to our banks.

Prior to January 1, 2008, we offered our subscribers three payment options: (1) payment of a one-time processing fee of RMB5,000 and a storage fee of approximately RMB500 payable each year for a period up to 18 years; (2) payment of a one-time processing fee of RMB5,000 and an annual storage fee of approximately RMB500 in one lump sum with a discount at 20% on the total storage fees payable over the contract period; and (3) payment of a processing fee at an installment of RMB1,100 at the time of subscription and an annual installment of RMB300 payable each year at each anniversary of the subscription, in which case our subscribers pay an additional amount of RMB1,200 compared to payment options (1) and (2), as well as payment of the storage fee of approximately RMB500 payable each year for a period up to 18 years. Between January 1, 2008 and January 31, 2009, we suspended payment option (2) to our subscribers while we continued to offer payment options (1) and (3) to our subscribers. Starting from February 1, 2009, subscribers can choose to make an upfront payment for 18 years of storage fees but without any discount, together with the one-time processing fee of RMB5,000. On April 1, 2011, we increased such processing fee to RMB5,800.

Effective from April 1, 2011, subscribers in Beijing who choose payment option (2) will pay a one-time processing fee of RMB5,800 and an upfront payment for 18 years of storage fees (approximately RMB500 x 18) with no discount. Effective from April 1, 2011, subscribers in Guangdong who choose payment option (2) will pay an upfront payment for 18 years of storage fees (approximately RMB500 x 18) and a one-time processing fee of RMB4,640, representing a 20% discount of the one-time processing fee.

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Also, effective from April 1, 2011, subscribers in Beijing who choose payment option (3) will pay an initial payment of RMB1,250 at the signing of the contract and an annual payment of RMB350 each year starting from the second year until the end of the eighteenth year, resulting in a surcharge of RMB1,400 to the amount of processing fees payable under the contract. Subscribers in Guangdong who choose payment option (3) between April 1, 2011 and June 30, 2011, will pay the processing fee by four annual installments. The first, second, third and fourth installment payments are RMB1,800, RMB1,700, RMB1,600 and RMB1,200 respectively. This resulted in a surcharge of RMB500 to the amount of processing fees payable under the contract. From July 1, 2011 onward, subscribers in Guangdong who choose to pay processing fee by installments (payment option (3)) will make an initial payment of RMB1,460, follow by four annual payments of RMB1,210 each, representing a surcharge of RMB500 to the amount of processing fees payable under the contract. Subscribers in Beijing and Guangdong choosing this option will also need to pay the storage fee which is approximately RMB500 per annum for a period of 18 years.

Effective from April 1, 2013 in Guangdong and Zhejiang, and from May 1, 2013 in Beijing, the one-time processing fee and annual storage fee are increased to RMB6,800 and approximately RMB860 respectively. Subscribers who choose payment option (2) will pay a one-time processing fee of RMB6,800 and an upfront payment for 18 years of storage fees (approximately RMB602 x 18), representing a discount of approximately RMB4,640 (granted to storage service only) of the total storage fees payable over the contract period.

Effective from May 1, 2013, subscribers in Beijing who choose payment option (3) will pay a one-time processing fee of RMB6,800 in two equal installments, with one payment at the time of subscription and the other at the second year of the subscription. The storage fee will be paid commencing on the third year of subscription in subsequent four yearly installments of RMB3,380 each year, representing a discount of RMB1,960 (granted to storage service only) of the total storage fees payable over the contract period.

Payment option (3) was not offered to subscribers in Guangdong from April 1, 2013 to June 30, 2013. Effective from July 1, 2013, subscribers in Guangdong who choose payment option (3) will pay an initial payment of RMB1,820 at the signing of the contract and an annual payment of RMB1,420 each year starting from the second year until the end of the fifth year, resulting in a surcharge of RMB700 to the amount of processing fees payable under the contract. An annual storage fee of approximately RMB860 is payable for a period up to 18 years. Payment option (3) is not offered to subscribers in Zhejiang.

Starting from January 1, 2014, the annual storage fee payable by subscribers in Beijing who elected payment option (1) or (3) prior to May 1, 2013 increased by RMB35 or to approximately RMB535.

In addition, we offer medical practitioners, including doctors, nurses or other medical professionals, our services at a discount of 30% from time to time. See “Operating and Financial Review and Prospects — Factors Affecting Our Financial Condition and Results of Operations — Average Revenue per Subscriber”. We offer one-stop-shop services for our subscribers. Following the signing of the subscription contract, we notify the collaborating hospital chosen by our subscriber so that the hospital can arrange for one of its certified medical practitioners to collect the cord blood of the newborns of our subscribers. The cord blood collected is then transported to our facilities for testing, processing and storage. We act as the custodian of the cord blood stored at our facilities during the term of the subscription contract.

Our remaining revenues are derived from matching services we provide and the matching cord blood unit we deliver to the hospitals for patients who are in need of transplants. These services accounted for 0.7%, 0.6% and 0.8% of our revenues for the years ended March 31, 2016, 2017 and 2018, respectively.

We accept and preserve cord blood units donated by the general public and have created a database containing information of the human leukocyte antigen profiles and characteristics of the donors on an anonymous basis. We require our donors to deliver their newborns at one of our collaborating hospitals. Another source of donations in the future may be the cord blood of the newborns of our former subscribers who cease subscription for our services at the end of 18 years and the cord blood units stored by our subscribers who fail to pay. We require our employees to fully inform all prospective subscribers of our policy of releasing cord blood units to our cord blood inventory in such circumstances, and our subscribers are required to give their consent to this policy when subscribing for our storage services. In the opinion of our PRC counsel, Zhong Lun Law Firm, a consent of this nature is enforceable under PRC law. Based on information available to us, treating cord blood units abandoned by former subscribers and releasing such units to cord blood bank inventory available to patients in need of transplants is a common practice followed by cord blood banking operators in China.

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We search, upon request, for possible matches among the donated cord blood units stored in our cord blood banks and provide one or more matching units to the hospitals for patients who are in need of transplant. We also entered into a memorandum of understanding regarding the collaboration with Cordlife Singapore in which Cordlife Singapore, on behalf of its patients who are in need of cord blood stem cell therapy, can facilitate the process by providing relevant information to us, and we will perform searches for possible matching units among our donated cord blood samples in the PRC. For patients who reside in the PRC, we may seek Cordlife Singapore's assistance or contacts to source possible cord blood unit matches in the relevant public cord blood registries in the regions such as Hong Kong, Singapore, Malaysia, India, Indonesia and the Philippines. Further, Jiachenhong is affiliated with AsiaCORD, an international organization for cord blood banking operators in Asia and also works with other cord blood banks to promote the usage of donated cord blood units.

We charge a fee that reflects the costs of our matching services provided and the matching units delivered, as well as for the units used in supplementary therapies. We generally charge a fee of RMB15,000 for providing one matching unit in a cord blood transplant or providing one cord blood unit for supplementary therapies. For the years ended March 31, 2016, 2017 and 2018, the number of successful matches found for cord blood transplants among the cord blood units donated by the public and stored at our facilities were 162, 178 and 231, respectively. In addition, during the years ended March 31, 2016, 2017 and 2018, there were 206, 211 and 324 donated units, respectively, used in supplementary therapies.

The following tables set forth, for the dates and periods indicated, certain information relating to our cord blood banking services in Beijing, Guangdong and Zhejiang:

	For the year ended March 31,		
	2018	2017	2016
New subscriber sign-ups	91,820	74,976	62,929
Subscriber units used in medical treatments	31	24	20
New subscriber sign-ups (net)	<u>91,789</u>	<u>74,952</u>	<u>62,909</u>
New donations accepted	4,759	4,214	4,294
Donated units used in matching services	555	389	368
New donations accepted (net)	<u>4,204</u>	<u>3,825</u>	<u>3,926</u>
Total	<u><u>95,993</u></u>	<u><u>78,777</u></u>	<u><u>66,835</u></u>
	As of March 31,		
	2018	2017	2016
Units deposited by subscribers ⁽²⁾⁽³⁾	661,618	575,040	504,268
Units contributed by donors ⁽¹⁾⁽³⁾	60,958	51,543	43,538
Total ⁽¹⁾⁽²⁾	<u><u>722,576</u></u>	<u><u>626,583</u></u>	<u><u>547,806</u></u>

(1) Excludes the matching units used during the relevant periods.

(2) As of March 31, 2016, 2017 and 2018, includes 35,015, 16,047 and 45,931 subscribers respectively, who had been delinquent for over 24 months and we have ceased to recognize storage revenue from such delinquent subscribers.

(3) During the years ended March 31, 2017 and 2018, 74,952 and 91,789 new subscribers were recruited and 3,825 and 4,204 new donations were accepted. During the years ended March 31, 2017 and 2018, the Company reclassified 4,180 and 5,211 private cord blood units as donated cord blood units after the Company determined that the recoverability of these prior private cord blood banking subscribers was low. These units are being treated as if they were donated cord blood units and will be part of the Company's non-current inventories. Hence the units deposited by subscribers and units contributed by donors were 575,040 and 51,543, respectively, as of March 31, 2017 and 661,618 and 60,958, respectively, as of March 31, 2018.

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The tables below indicate the number of donated units matched during each of the last three fiscal years and the accumulated number of matches using donated units as of the end of each such fiscal year:

	Units
Donated units used during the year ended March 31, 2016	368
Donated units used during the year ended March 31, 2017	389
Donated units used during the year ended March 31, 2018	555
	Units
Accumulated number of matches as of March 31, 2016	1,637
Accumulated number of matches as of March 31, 2017	2,026
Accumulated number of matches as of March 31, 2018	2,581

Preservation of Cord Blood

Preservation of cord blood consists of the following major steps:

- **Collection.** Our subscribers and donors must give birth to their newborns at one of our collaborating hospitals in order to use our services. We communicate with the hospital to arrange for a certified medical practitioner to work on the case. When our subscribers or donors give birth to the newborn, the practitioner clamps the newborn's umbilical cord at birth and drains the blood from the cord into specialized container. Although we are not responsible for the collection, we provide a kit that contains the medical apparatus necessary for the collection procedure.
- **Transportation.** After collection, the cord blood is transferred to our cord blood bank within 24 hours in specialized containers where temperature changes can be controlled. If necessary, the cord blood retrieved is stored in a designated refrigeration unit at the maternity ward in the hospital prior to our arrival. We have a team of transportation specialists responsible for the delivery of cord blood units from our collaborating hospitals to our facilities in special containers to ensure the viability of the hematopoietic stem cells during transit. Each cord blood unit is assigned a barcode so that it can be tracked easily throughout processing, storage and restoration.
- **Processing.** Cord blood undergoes processing and separation procedures which ultimately extract the hematopoietic stem cells for subsequent storage. At this stage, cell counts are conducted twice to calculate the cell recovery rate and the amount of nucleated cell, so as to ensure the quality requirements are met.
- **Testing.** We conduct several tests on the cord blood unit to retrieve information that will be essential to its future use in a transplant. Such information includes volume of cord blood collected, number and viability of nucleated cells, sterility, blood type and density of hematopoietic stem cells, commonly known as cell count. We also test the maternal blood sample for infectious diseases, viruses and bacteria.
- **Storage.** After processing and testing, we freeze the cord blood unit in a controlled manner and store the unit using liquid nitrogen. The liquid-nitrogen storage freezer in which the hematopoietic stem cells are stored after their initial processing is equipped with a thermostatic control to ensure storage at minus 196 degrees Celsius. The entire processing and storage of hematopoietic stem cells at our cord blood bank is documented and closely monitored to ensure the integrity of all cord blood units and the veracity of all data.

Sales and Marketing

As of March 31, 2018, our total sales force (including after sales support) consists of 731 employees. Their compensation consists of base salary and performance-based bonus assessed on a monthly and quarterly basis. Newly hired sales staffs are required to successfully complete an intensive orientation training lasting for more than two months before approaching target subscribers. They are required to attend continuous on-the-job training and pass periodic performance evaluation.

Our hospital networks offer us the platforms where a significant portion of our sales and marketing activities are undertaken. We have established collaborative relationships with 352 hospitals in Beijing, Guangdong and Zhejiang as of March 31, 2018.

A significant portion of our sales and marketing initiatives are targeted at educating expectant parents on the benefits of cord blood banking services. Our sales and marketing force gives thought to the input and comments they receive from prospective subscribers in promoting our services. Our sales and marketing activities consist primarily of the following:

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- **Activities targeting prospective parents.** We maintain our hospital networks which consist of 352 hospitals in Beijing, Guangdong and Zhejiang. We assign consultants to each hospital with which we collaborate, and the consultant oversees our sales initiatives and directly interacts with the prospective subscribers in that hospital. The arrangement enables us to interact directly with expectant parents, distribute promotional leaflets and marketing materials to expectant parents and their family members, and set up information booths at designated areas where members of our sales team can interact with potential subscribers and answer questions. We also work with various institutions or hospitals to organize pre-natal classes and other events for expectant parents.
- **Education of the medical community.** To increase public awareness of the benefits associated with cord blood banking services, we educate obstetricians, childbirth educators, and hospitals on the benefits of cord blood preservation and offer educational seminars at our premises.
- **Advertising efforts.** Cord blood banking as a precautionary healthcare measure is a relatively new concept in China. Most people are not aware of the medical benefits that hematopoietic stem cells offer for the child as well as the family. We attempt to inform and educate our potential subscribers about these benefits through distributing such information via government agencies whenever possible. To broaden the reach of our services to our target population, we advertise on billboards at hospitals and community centers, publish articles in newspapers and publications, and sponsor government campaigns concerning personal healthcare awareness, such as conferences concerning the medical application of cord blood technology.

Raw Material Supplies

We require collection kits, liquid nitrogen and test reagents for our operations. Materials and supplies used in our cord blood banking business are mainly from United States and China. We periodically evaluate our terms with our existing raw material suppliers to determine whether we should seek potential suppliers with more favorable commercial terms. But certain materials or supplies may only be sourced from few suppliers in the United States and China. To date, we have not encountered any material shortage or significant price fluctuation that had a material adverse effect on our business.

To the extent possible, it is our policy to maintain more than one vendor for major raw material supplies in order to diversify our supply source. A significant portion of our raw materials, however, have been sourced from few major suppliers. The following are purchases from suppliers that individually comprise 10% or more of our gross purchases for the periods indicated:

	For the year ended March 31,						
	2018		2017		2016		
	\$	RMB	%	RMB	%	RMB	%
	(in thousands except for percentages)						
China Bright Group Co. Limited ⁽¹⁾	2,991	18,759	24	36,405	52	37,556	49
Hangzhou Baitong Biological Technology Co., Ltd. ⁽²⁾	1,223	7,670	10	—	—	—	—
Beijing Chengmao Xingye Technology Development Co., Ltd. ⁽²⁾	1,229	7,711	10	—	—	—	—
Total	5,443	34,140	44	36,405	52	37,556	49

(1) An affiliate of Golden Meditech

(2) The purchases from Hangzhou Baitong Biological Technology Co., Ltd. and Beijing Chengmao Xingye Technology Development Co., Ltd. were less than 10% of our gross purchases for the year ended March 31, 2016 and 2017, respectively.

Cord blood collection services are performed in the same hospitals where our new subscribers give birth. Historically, a significant portion of our cord blood collection services have been performed through a limited number of hospitals but we are increasing the number of hospitals as our operation expands to multiple regions in China. For the year ended March 31, 2018, the top hospital accounted for approximately 2.1% of the total number of cord blood collection procedures performed for our subscribers.

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Facilities

As of March 31, 2018, we maintain facilities in Beijing, Guangdong and Zhejiang. The following table sets forth certain information relating to the premises we occupy:

Premises	Nature of use	Terms of use	Area occupied (in square meters)
Beijing	Laboratories, storage facilities for cord blood units and office space	Acquired in November 2006 for a consideration of RMB28.6 million for a term of 40 years.	9,600
Guangdong	Laboratories, storage facilities for cord blood units and office space	Acquired in June 2012 for a consideration of RMB100.0 million for a term of 44 years.	14,608
Zhejiang	Laboratories, storage facilities for cord blood units and office space	Acquired in January 2013 for a consideration of RMB87.3 million for a term of 50 years.	5,562
Total			<u>29,770</u>

Our facilities in Beijing, Guangdong and Zhejiang are equipped with an enterprise resource planning system. The system has been customized to monitor our sales performance, testing processes and results for every cord blood unit that come through. The system also keeps real-time record of storage movement within cord blood facilities, handle billing matters and track customer hotline interactions.

Quality Assurance

Our cord blood banking operations in Beijing, Guangdong and Zhejiang have been accredited with GB/T19001 (equivalent to ISO-9001), which is the national standards for quality control in China. Our Beijing Cord Blood Bank and Guangdong Cord Blood Bank also received the AABB Accreditation with regard to cord blood processing and storage services. Our laboratories in Beijing, Guangdong and Zhejiang comply with the Good Laboratory Practice, or “GLP”, standards.

The operating procedures and standards at our facilities comply with relevant regulations and industry standards promulgated by the MOH, NHFPC and NHC for the operation of cord blood banks, including the Standards on Administration of Quality of Blood Bank Laboratory promulgated in May 2006, and the Standard Technique Operation Procedures of Blood Bank 2015 promulgated in December 2015. We have adopted quality assurance measures to ensure the quality of cord blood units transported, processed and stored by us. In particular, we maintain GLP-certified clean rooms where hematopoietic stem cells are processed prior to storage and later restored for therapeutic use. The information and record system concerning hematopoietic stem cells at our cord blood banks are computerized to ensure the integrity of all cord blood units and the veracity of all related data.

We maintain a comprehensive quality assurance program to ensure that we are in compliance with applicable quality standards. To illustrate, our collaborating hospitals collect the cord blood from the newborns of our subscribers with a collection kit containing the necessary tools and instruments that we prepare in advance. We also take charge of the transportation of the cord blood from the hospitals to our facilities in order to minimize transportation risk. When the cord blood arrives at our facilities, we begin processing and testing, including physical examination, whole blood cell and flow-cytometry counting, cultivation tests and microbe tests such as HIV, bacterial and virus tests. The testing results are verified by our officer in charge. Qualified cord blood units will then undergo a computer-controlled preparatory freezing process through which the cord blood units will be lowered to -90°C prior to cryopreservation. Throughout the process, our staff will monitor and verify that all information in relation to every cord blood unit is properly and accurately documented.

For the cord blood units in storage, we conduct random examinations on a routine basis to ensure the stored units are suitable for transplants if needed. In addition, we also conduct routine examinations, including checking the dust level in all GLP certified clean rooms, examining the accuracy of all measuring and testing equipment and testing the ultraviolet light output in each clean room and bacteria and mycosis cultivation in the air. We continuously monitor the temperature level, the humidity level, the air pressure difference among various clean rooms, and the layout of our equipment and apparatuses.

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We are responsible for quality assurance in connection with our cord blood banking services. In the event that the cord blood stored at our banks are found to be unfit for use in a transplant due to our mishandling or other fault or errors attributable to us, we have agreed under our subscription contract to compensate the subscriber in an amount equal to twice the fees paid by the subscriber. We have procured insurance to cover this liability. See “— Insurance”.

Competition

To date, only seven cord blood banking licenses have been issued by PRC government authorities. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses. We are the operator of the sole licensed cord blood bank in Beijing, Guangdong and Zhejiang. We also have an investment of 24.0% equity interest in Qilu, the exclusive cord blood banking operator in the Shandong province (our controlling shareholder controls 76% of Qilu). The operators of the other three licensed cord blood banks are Zhongyuan Union Cell & Gene Engineering Corp., Ltd. in Tianjin, Shanghai Stem Cell Technology Co., Ltd. in Shanghai and Sichuan Neo-life Stem Cell Biotech Inc. in Sichuan. The NHC has been following a “one license per region” policy, which precludes more than one cord blood banking licensee from operating in the same region.

We will seek to expand our geographical coverage by acquiring other licenses or acquiring or collaborating with potential applicants for licenses in the other regions. Hence, we may need to compete with existing cord blood banking operators as well as other new market entrants for such licenses or acquisitions. These companies may have greater financial resources, stronger marketing capabilities and higher level of technological expertise and quality control standards than us. In addition, we may face competition from foreign-invested cord blood banking service providers in China with longer operating history, greater capital resources, better management and higher level of technological expertise than us.

In addition, our ability to compete depends on the efficacy and safety of cord blood transplants compared to other medical treatments and remedies as well as the efficacy and safety of cord blood transplants using the patients’ own cord blood or the cord blood from related family members compared to cord blood from an unrelated public donor.

Employees

As of March 31, 2016, 2017 and 2018, we had 923, 1,059 and 1,196 full-time employees, respectively. The following table sets forth the number of employees based in Beijing, Guangdong and Zhejiang respectively and categorized by function as of March 31, 2018:

	<u>Beijing</u>	<u>Guangdong</u>	<u>Zhejiang</u>
Sales and marketing and after-sales support and services	211	355	165
Laboratory function	64	118	44
Management and administration	87	91	61
Total	<u>362</u>	<u>564</u>	<u>270</u>

As a committed and socially responsible healthcare company, we believe that people are the most important asset of our business. As a result, we aim to remunerate our employees based on their experience, job requirements and performance. Our compensation package typically consists of the basic salary, discretionary bonuses, share options or restricted share units. Our employees are not represented by any collective bargaining agreement, and we have never experienced a strike. We believe we have been successful in maintaining a harmonious relationship with our employees.

Insurance

Currently, we maintain insurance coverage of RMB50.0 million (\$8.0 million) to cover our liabilities arising from collection, testing and processing of cord blood units and an additional RMB289.3 million (\$46.1 million) in aggregate to cover liabilities arising from storage of donated cord blood units in Beijing, Guangdong and Zhejiang. We also maintain property insurance policies for facilities, machinery and office equipment for our Beijing, Guangdong and Zhejiang operations to cover damages from accidents. However, we do not maintain any property insurance policies covering losses due to fire, earthquake, flood and other disasters, nor do we maintain business interruption or cyber security related insurance. Under our insurance policies, the insurance company will provide reimbursement if the cord blood unit of subscriber is destroyed or unfit to use due to our mishandling; provided, however, the payments to which we are entitled in each incident are limited to RMB200,000 (\$31,885) per person and RMB10.0 million (\$1.6 million) in the aggregate.

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We have not received any material claims, nor are we aware of any material claims pending or threatened, from our subscribers. Under our subscription contract, the subscriber has agreed to liquidated damages in an amount equal to twice the fees paid by him or her in the event that the cord blood stored at our banks are found to be unfit for use in a transplant due to our mishandling or other fault or errors attributable to us. However, we cannot assure you that a subscriber in such circumstances will not challenge the enforceability of the liquidated damages clause. Some PRC courts and arbitration tribunals in unrelated civil suits have awarded claimants damages in excess of the amount of liquidated damages previously agreed by them in contracts.

We believe our insurance coverage is consistent with typical industry practices. However, our business and prospects could nonetheless be adversely affected in the event our insurance coverage is insufficient to cover our losses. See “Key Information — Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient to cover the risks related to our business, and our insurance costs may increase significantly.”

Intellectual Property

We consider our trademark critical to the success of our business. In this regard, we have completed the trademark registration process and have been licensed by the Trademark Office of the State Administration for Industry and Commerce of the People’s Republic of China to use our trademarks, two of which are with registration numbers 4666178 and 4666582. We also recognize the need to protect our trademark and will continue to take commercially viable steps to enforce our trademark rights against potential infringers.

We acquired certain patented research and development in progress relating to the use of cord blood stem cells in medical treatments. We do not have registered patents for the technologies we use for cord blood collection, testing, processing or storage. These technologies are not trade secrets and are not subject to regulation by administrative laws in China. We are not involved in or threatened with any material claim for infringement of any intellectual property right, either as a claimant or a respondent.

Information Technology

Our information technology system was developed by an independent third party and tailored to our unique business and operational needs. To ensure our information technology system is capable of handling our constantly evolving business environment and our expanding subscriber base, we retain software developers to maintain and upgrade our system.

We maintain close contact with our system developers to ensure our system is capable of handling the increasing amount of data as our subscriber base continues to grow and we continue to build on this platform in order to develop a larger and more comprehensive database and management system nationwide.

Research and Development

We conducted research and development activities internally. For the year ended March 31, 2018, we incurred approximately RMB12.7 million (\$2.0 million) research and development expense, derived from internal research and development effort.

Cooperation with Peking University People’s Hospital

In June 2006, Jiachenhong entered into a cooperation agreement on an exclusive basis with Peking University People’s Hospital (“PEKU”) for a term of 20 years. PEKU would assist Jiachenhong to promote the subscription of cord blood banking services to expectant parents at the hospital, provide assistance in examining hereditary diseases, monitor the quality control of the cord blood units collected and provide technical and consulting services to Jiachenhong. In return, PEKU was entitled to an annual advisory fee of RMB2.0 million for providing technical consultancy services. The annual advisory fee was increased to RMB2.6 million (\$0.4 million) since October 2013. In September 2017, Jiachenhong and PEKU renewed the cooperation agreement for a term of 4 years commencing in September 2017. In return for the technical consultancy services provided, PEKU is entitled to an annual advisory fee of RMB3.0 million (\$0.5 million).

Cooperation with Guangdong Women and Children’s Hospital and Health Institute

In November 2009, Nuoya entered into a cooperation agreement on an exclusive basis with Guangdong Women and Children’s Hospital and Health Institute (“GWCH”) for a term of 20 years. GWCH would assist Nuoya to establish distribution networks at the hospital to promote the subscription of cord blood banking services to expectant parents, provide assistance in examining hereditary diseases, monitor the quality control of the cord blood units collected, provide technical and consulting services to Nuoya. In return, GWCH was entitled to an annual advisory fee of RMB2.0 million for providing technical consultancy services. In February 2014, Nuoya and GWCH entered into a supplementary agreement pursuant to which the annual advisory fee increased to RMB3.2 million (\$0.5 million) commencing in October 2013.

Cooperation with Zhejiang Provincial Blood Center

In December 2010, Lukou entered into a cooperation agreement with Zhejiang Provincial Blood Center, pursuant to which Zhejiang Provincial Blood Center would provide assistance in examining hereditary diseases, monitor the quality control of the cord blood units collected, provide technical and consulting services, and provide laboratories and storage facilities to Lukou to support Lukou’s cord blood banking business in the Zhejiang province. In return, Zhejiang Provincial Blood Center is entitled to an advisory fee for providing technical consultancy services and assistances.

Investments in LFC and Cordlife Singapore (Cordlife before the restructuring on June 30, 2011)

Cordlife was a publicly traded company on the Australian Securities Exchange, with cord blood banking services as its main business line. We acquired 11,730,000 shares of Cordlife for a cash consideration of AUD8.0 million in July 2007 and an additional 5,795,000 shares for a cash consideration of AUD2.4 million for the year ended March 31, 2009. In June 2010, we entered into an agreement to underwrite Cordlife’s rights issue for a total capital raise of AUD11.6 million. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of AUD2.0 million, satisfied in cash. In June 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a spin-off of Cordlife’s more mature cord blood banking business. The restructuring and distribution in specie were subsequently completed and effective on June 30, 2011. Right after the restructuring, we owned 24,366,666 shares in both LFC and Cordlife Singapore. Cordlife Singapore was subsequently listed on the Singapore Exchange on March 29, 2012. In December 2013, LFC’s issued share capital was consolidated on the basis that each parcel of three shares held by a shareholder was consolidated into one new share. After the share consolidation, we owned a total of 8,122,222 shares in LFC. In November 2014, we acquired 1,150,000 shares in Cordlife Singapore at a consideration of approximately RMB4.6 million. In February 2018, the Company disposed of all of its shares in LFC to liquidate its non-core investment since the Company had no strategic proposition relating to funeral business. As of March 31, 2018, we owned 25,516,666 shares in Cordlife Singapore, which represents a 10.1% equity interest.

Our investments in Cordlife Singapore are accounted for as available-for-sale equity securities and are stated at fair value in our consolidated balance sheets as of March 31, 2018, with remeasurements of fair value recognized as other comprehensive income or loss, as the case may be, or impairment losses in the consolidated statements of comprehensive income for the corresponding periods to the extent of impairment losses considered to be other-than-temporary. We did not consolidate or account for under the equity method our share of LFC’s or Cordlife Singapore’s operating results and net assets during such period. During the six months ended September 30, 2015 and nine months ended December 31, 2016, we recorded impairment loss of RMB8.4 million and RMB2.5 million, respectively, on our investment in LFC. Having considered the extent of the decline in the fair value of the ordinary shares of LFC, the length of time during which the market value of the shares had been below cost, and the financial condition and near-term prospects of LFC, our management considered that the decline in value on the investment in LFC up to September 30, 2015 and December 31, 2016 was other-than-temporary. As a result, impairment loss of RMB8.4 million and RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, during the years ended March 31, 2016 and 2017, respectively and the market value as of December 31, 2016 formed a new cost basis of our investment in LFC. In February 2018, the Company disposed of all of its shares in LFC. The unrealized loss was recognized in earnings, which was transferred from other comprehensive income, during the year ended March 31, 2018. Currently, Cordlife Singapore is a provider of cord blood banking services in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines.

Investment in Qilu

We have invested in a 19.9% equity interest in Qilu, the exclusive cord blood banking operator in the Shandong province for a cash consideration of approximately \$20.5 million in May 2010. In December 2012, Favorable Fort entered into a shares purchase agreement with Cordlife Services, pursuant to which Favorable Fort agreed to repurchase the 17.0% of its outstanding ordinary shares not indirectly owned by GCBC from Cordlife Services for a total purchase price of approximately \$8.7 million. Upon completion of the transaction in February 2013, Favorable Fort became an indirect wholly owned subsidiary of GCBC and GCBC's effective equity interest in Qilu increased from 19.9% to 24.0% (76% owned by our controlling shareholder). Pursuant to the memorandum of Qilu, existing shareholders are entitled to the right of first refusal on future transfers of Qilu equity interest. We do not have any representation on the Board of Directors of Qilu and do not have control or significant influence in Qilu both before and after February 2013. Therefore, we do not consolidate or account for under the equity method our share of Qilu's operating results and net assets, but recognize the investment at cost less impairment losses (if any). Qilu operates in the Shandong province. Based on China Statistical Yearbook 2017, over 1.7 million babies were born within the Shandong province during 2016.

Investment in Lukou

In September 2010, we entered into a framework agreement to form an indirect non-wholly owned subsidiary with the Zhejiang Provincial Blood Center. Pursuant to the framework agreement, we then established a non-wholly owned subsidiary, Lukou, and acquired the right to operate the cord blood bank in the Zhejiang province for a cash consideration of \$12.5 million during the year ended March 31, 2011. Lukou is 90% owned by us and is the exclusive cord blood banking operator in the Zhejiang province to provide cord blood stem cells collection and storage services for expectant parents as well as preserving cord blood units donated by the public.

Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business.

Our Industry

Overview

The cord blood banking industry preserves cord blood from childbirth to capture the opportunities made available by evolving medical treatments and technologies such as stem cell transplants. Cord blood is blood contained within the umbilical cord and the placenta which may be collected immediately upon childbirth for the purpose of harvesting stem cells. Stem cells may potentially develop into other cell types in the human body, a unique property known as plasticity. In other words, stem cells have the ability to go through numerous cycles of cell division and differentiate into cells with a defined or specialized function. As stem cells grow and proliferate, the differentiated cells that they generate can replace lost or damaged cells, thereby contributing to the ability to potentially renew and repair lost or damaged tissues in the human body.

Due to the ability to develop into different cell types in the human body, stem cells can potentially be used to treat a wide range of diseases. Compared with approximately 210 major types of differentiated cells, couple of major types of stem cells in the human body including:

- **Hematopoietic stem cells.** Hematopoietic stem cells are found in the bone marrow of adults, human blood from an infant's placenta and umbilical cord, and mobilized peripheral blood. They are the early precursor cells capable of differentiating into blood cells and immune system cells in the body. They also have been shown to have the capability of differentiating into specialized cells of other systems, including neural, endocrine, skeletal, respiratory and cardiac systems, under specific conditions.
- **Mesenchymal stem cells.** Mesenchymal stem cells are found in the bone marrow of adults and are capable of differentiating into musculoskeletal tissues.
- **Neural stem cells.** Neural stem cells are found in the brain tissues of adults and are capable of differentiating into neural tissues.

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Cord blood is rich in hematopoietic stem cells. It can be collected by obstetricians or dedicated collection staff after the umbilical cord has been detached from the newborn. The blood sample then undergoes further processing to remove red blood cells and plasma before it can be cryopreserved and stored in refrigerated containers at extremely low temperature. All cellular activities would cease until it is thawed for use in medical treatments.

Compared with other medical treatments, transplants using cord blood have a number of distinct benefits. First, while the collection of embryonic stem cells with current technology results in the destruction of the embryo, and the collection of bone marrow stem cells involves a painful medical procedure for the donor, the collection of cord blood stem cells occurs after the umbilical cord is detached from the newborn during the normal course of delivery and causes no discomfort or harm to the baby. Second, cord blood of newborns contains relatively higher concentration of hematopoietic stem cells with superior proliferative capacity compared with hematopoietic stem cells extracted from bone marrow and peripheral blood in adults. Third, due to the relative premature development of the immune system in cord blood samples, hematopoietic stem cells extracted from cord blood allow for transplants with lower immunologic barriers that would otherwise be prohibitive. Fourth, cord blood transplants result in lower incidence of graft-versus-host disease, a situation whereby the donor's T-cell attacks the recipient tissues after the transplant. Fifth, hematopoietic stem cells from umbilical cord have a higher chance of matching family members.

Depending on the source of stem cells, stem cell transplants consist of three types: (i) autologous transplant using the patient's own stem cells; (ii) allogeneic transplant using stem cells of third parties, such as a family member or an unrelated donor; and (iii) syngeneic transplant using stem cells of an identical twin. Matching of human leukocyte antigen, or "HLA", a marker used by the immune system to recognize whether particular cells belong to or are foreign to the body, is critical for the success of allogeneic stem cell transplants. HLA tissue types are hereditary. Therefore, the chance of finding a match is higher from a sibling or other family members. Nonetheless, approximately 70% of patients are unable to find a matching unit in the family.

Global Cord Blood Banking Industry

Cord blood banking industry typically provides two types of services. The first type of services, also known as private cord blood banking services, generally involve collection, testing, processing and storage of cord blood for expectant parents who choose to subscribe for such services for the benefit of their children and other family members. The cord blood unit deposited is available only to the child or a family member when stem cells are needed for a transplant to treat the medical condition of the child or a family member. The second type of services, also known as public cord blood banking services, generally involve collection of cord blood from the parents who intend to donate the cord blood of their newborns. The donated cord blood is subsequently made available for anyone if it is a match for patients in need of stem cell transplants or for medical research. Some cord blood banks only provide private cord blood banking services, others only provide public cord blood banking services and still others provide both. Cord blood banks that only provide public cord blood banking services are typically non-profit organizations. Therefore, revenues generated by cord blood banks that provide private cord blood banking services are the key drivers behind promoting the cord blood banking industry.

Global Demand for Cord Blood Banking Services

The demand for the global cord blood banking industry is driven by an increasing awareness of the wide range of diseases that stem cells can be used to treat. Improved healthcare has resulted in increased life expectancy with a larger aging population. An aging population has led to a higher rate of disease incidence and increased demand for medical care, including stem cell therapies. Cord blood stem cells can be used to treat over 80 types of diseases. As medical science continues to discover new application of cord blood stem cell therapies, many other diseases could potentially be treated. The expanded application of stem cell transplants is likely to further stimulate the demand for and the growth of cord blood storage worldwide.

The demand for cord blood banking services can be measured in terms of penetration rates, which are affected not only by the number of newborns but also by the degree of awareness among expectant parents of the benefits of cord blood stem cell therapies, the value that the parents place on those benefits and the cost of those benefits relative to the parents' ability to pay. Economic growth generally favors expenditures on precautionary healthcare measures. Sales and marketing activities launched by cord blood banking service providers also stimulate demand by educating expectant parents regarding the availability of these services and the potential benefits to subscribers in terms of keeping their options open for treating future health problems through stem cell therapies.

According to the U.S. Census Bureau, the population of the world has over 7.5 billion in June 2018 and the number of newborns is approximately 136 million worldwide in 2017. The U.S. Census Bureau projects that the population and number of newborns worldwide will continue to grow.

Global Supply of Cord Blood Banking Services

The success of stem cell transplants depends on the availability of stem cell supplies. In response to the increasing utilization of stem cells in medical treatments, cord blood banks have increased in number significantly worldwide to provide the cord blood units necessary for medical treatments. In addition, there are a number of international public cord blood banks such as World Marrow Donor Association, National Marrow Donor Program and the International NetCord Foundation that provide matching units donated by the public to patients in need of transplants worldwide. Certain cord blood banks in the world are affiliated with these cord blood banks. The advantage of affiliation with such international public cord blood banks is the ability to share the database of genetic profiles of the cord blood units stored at the cord blood banks registered with such international public cord blood banks. The sizeable database containing increased number of genetic profiles increases the possibility to find a matching unit for patients in need of transplants.

Cord Blood Banking Industry in China

Based on historical evidence, we believe that revenue from storing cord blood units in consideration for subscription fees is expected to be the primary driver for the cord blood banking industry in China in the future.

Current Market Conditions

According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses.

Under current PRC government policy, cord blood banks are only permitted to operate in the regions in which they are licensed to operate. Moreover, the application process for a cord blood banking license in China is time-consuming during which time the applicant usually incurs significant initial investments, including costs to apply for a license and construct the facility. For example, in respect of the seven cord blood banking licenses issued by the PRC government authorities to date, it took each applicant several years to obtain a cord blood banking license. This may deter potential cord blood banking operators with fewer financial resources from entering into the cord blood banking industry.

Drivers for Future Growth

Future demand for the cord blood banking industry in China is expected to be driven mainly by the following factors:

- **Large number of newborns.** According to the China Statistical Yearbook 2017, China had a population of over 1.3 billion persons and approximately 17.9 million newborns as of and for the year ended December 31, 2016. The large number of newborns in China provides substantial potential for cord blood banking operators in China to grow their subscriber base. Even a single region in China can have a very significant population. Guangdong, with a population of over 109 million people in 2016, has a larger population than many countries in the world, and there are two other regions in China of similar size and even Beijing has a sizable population of over 21 million at the end of 2016.
- **Growth in GDP and urban disposable income and increasing focus on healthcare.** According to the China Statistical Yearbook 2017, GDP per capita in China grew by 7.6%, 6.5% and 7.4% in 2014, 2015 and 2016, respectively. As average disposable income still growing, families are likely to spend an increased proportion of their disposable income on healthcare, including subscriptions for cord blood banking services. According to the China Statistical Yearbook 2017, China's healthcare expenditures grew from RMB458.7 billion in 2000 to RMB4,634.5 billion in 2016, more than tenfold jump.
- **Increasing public awareness of the benefits associated with cord blood banking services.** Operators of cord blood banks in China focus their sales and marketing efforts in hospitals and pre-natal clinics to increase the public awareness of the benefits associated with cord blood banking by providing potential customers education on cord blood banking procedure and potential benefits. Continuous customer education, increased subscriber base and expanded sales and marketing networks enable the operators to tap into a potential sizeable market with increased penetration rates and enlarged subscriber base.
- **Additional diseases that stem cells can be used to treat.** Based on publicly available information, cord blood stem cells can be used to treat approximately 80 types of diseases. As stem cell therapy continues to develop in China and elsewhere in the world, medical practitioners are likely to continue to discover additional diseases that can be treated by stem cell therapies.

Regulation

We operate our business in China under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority including:

- the National Health Commission of the People’s Republic of China;
- the State Administration for Market Regulation;
- the SAFE;
- the MOC; and
- the NDRC.

The State Council and these ministries and agencies have issued a series of rules that regulate a number of different substantive areas of our business, which are discussed below.

PRC Regulation on the Cord Blood Banking Industry

The National Health Commission of the People’s Republic of China (formerly known as NHFPC) is responsible for the regulation and supervision of cord blood banks in China, including promulgation of rules and regulations in response to the developments in the cord blood banking industry. Cord blood banking is an emerging industry in China. Therefore, the regulatory framework of the cord blood banking industry in China is under development and may not be as fully developed as that in other countries.

China adopted the Blood Donation Law in 1997 to prohibit the buying and selling of blood and to establish principles and regulations for the safe handling of blood supplies. In 1999, China adopted the Trial Measures for the Administration of Cord Blood Stem Cells Bank to regulate the establishment and operation of the cord blood banks. In 2001, China adopted the Trial Cord Blood Stem Cells Bank Establishment Guidelines to implement Trial Measures for the Administration of Cord Blood Bank. In 2002, China adopted the Provisional Cord Blood Stem Cells Bank Technical Guidelines, which regulate the way and activities that we handle the cord blood which we process and store. In 2005, the MOH further adopted the Measures for Administration of Blood Stations, or the “Measures” (which had been revised in 2009, 2016 and 2017, respectively), to regulate the operation of blood stations in general. In addition, the DOHs of Guangdong, Zhejiang and Shandong have promulgated relevant rules to regulate the operation of blood stations at the province-level. The Measures specify that cord blood banks are special blood stations that are subject to regulation under the Measures.

Since the cord blood banking business is relatively new in China and the regulation of this industry is a new subject for the NHC, current PRC laws and regulations on this subject, including the Measures, principally regulate donation of cord blood units by the public and the collection and supply of such units. Current PRC laws and regulations fail to provide a clear, consistent and well-developed regulatory framework for the provision of fee-based commercial cord blood banking services. This presents uncertainties and risks regarding fee-based commercial cord blood banking services in China, including our business, as described in the following five paragraphs.

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The Measures define a blood station as a non-profit public-welfare health institution that collects and supplies blood for clinical use. Neither collection nor supply of cord blood from donors may be conducted for the purpose of making a profit. The purchase and sale of donors' cord blood is also prohibited. The Measures prohibit anyone from collecting or providing cord blood without a valid blood station license. The Measures also state that the government shall not approve a for-profit blood bank. The Measures do not define or interpret the terms "non-profit", "for-profit" or "for the purpose of making a profit". Since the effectiveness of the Measures, all of our cord blood banks have obtained blood station licenses from their local DOHs/LHFPCs/LHCs. The Guangdong Cord Blood Bank operated by our subsidiary Nuoya obtained its blood station license from the Guangdong DOH in June 2006. The license to Zhejiang Cord Blood Bank was endorsed by Zhejiang DOH in September 2010. The Beijing Cord Blood Bank operated by our subsidiary Jiachenhong, which first obtained a cord blood banking license under the Provisional Cord Blood Bank Establishment and Operation Guidelines in 2002 and then extended that license several times during the course of 2005 and 2006, obtained its blood station license from the Beijing DOH in June 2007. All of our cord blood banks clearly stated to the competent health authorities as part of their license applications that their businesses combined subscription services with matching services. Furthermore, during the application process and after the applications were approved, the competent health authorities have been inspecting and regulating the entire businesses of our cord blood banks, including both for-profit and non-profit services. All the evidence indicates that the NHC and its regional LHCs are aware of the current business practices in the cord blood banking industry in China, which include the fact that the cord blood banks and their operators are providing subscription services for a fee in China and that such operators are companies incorporated in China. Currently, there is no evidence that the competent health authorities have any intention of prohibiting the provision of for-profit subscription services by these cord blood banking operators, or any intention of revoking their licenses, ordering them to terminate their business or cancelling their qualifications based on the fact that they provide for-profit services. Shandong Cord Blood Bank operated by Qilu first obtained the permission from Shandong DOH to commence operation in February 2008.

According to answers by the spokesman of the MOH to questions from reporters on February 18, 2008, it appears that the MOH is of the position that operators of licensed cord blood banks are permitted to provide cord blood banking services for a fee. However, to date, neither the NHC nor any LHC has made any formal clarification on how they interpret, administer or enforce current laws and regulations applicable to the cord blood banking industry in China. All of the above present certain risks and uncertainties to our business. In particular, see "Key Information — Risk Factors — Risks Relating to Our Business — If PRC regulators order operators of the licensed cord blood banks in China to cease their fee-based commercial cord blood banking operations, our results of operations and liquidity would be materially adversely affected." and "Key Information — Risk Factors — Risks Relating to Our Business — Our business and financial results may be materially adversely affected as a result of regulatory changes in the cord blood banking industry in China."

In 2004, the year before the Measures were adopted in final form but after the Measures were already in effect in provisional form, the Shanghai DOH shut down a cord blood banking operator that had been operating in Shanghai on the grounds that it was operating cord blood collection services without a license. The operator of that cord blood bank sued in court to overturn the administrative decision of the Shanghai DOH, arguing, among other things, that their business was not subject to the provisional Measures. The court ruled to uphold the administrative decision. While court rulings in the Chinese legal system have no precedential authority, we believe that we must maintain and periodically renew our blood station licenses in order to continue operating our cord blood banking business, and that we must continue providing our matching services in order to maintain and periodically renew our blood station licenses.

The Measures emphasize the regulation of cord blood bank's non-profit activities of collecting and storing cord blood from donors as well as supplying cord blood for clinical use, but they fail to provide clear stipulations regarding certain other activities that are frequently carried out in connection with cord blood banking, including cord blood banks' offering fee-based commercial services of storing cord blood entrusted to them by subscribers for the benefit of those subscribers and not of the general public. As far as we know, all the operations of fee-based commercial services of storing cord blood in China, including without limitation, the operations of Jiachenhong, Nuoya, Lukou and Qilu, all have the same business model and structure.

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Our PRC legal counsel, Zhong Lun Law Firm, is of the opinion that, save for the uncertainty regarding fee-based commercial cord blood banking services in China, including our business, as described in the preceding four paragraphs and this paragraph (i) our cord blood banking business currently complies with current PRC laws and regulations, including without limitation the Measures, applicable to us; and (ii) our business operations do not violate the terms set forth in the blood station licenses of the three cord blood banks operated by us, the Beijing Cord Blood Bank operated by our subsidiary Jiachenhong, the Guangdong Cord Blood Bank operated by our subsidiary Nuoya and the Zhejiang Cord Blood Bank operated by our subsidiary Lukou. To our understanding, Shandong Cord Blood Bank operated by Qilu, also possesses similar business operations, however, we cannot assure you that the PRC government and the competent health authorities will continue their current regulatory practice and not prohibit provision of for-profit subscription services. Among others, due to the failure of the Measures to define or interpret the terms “non-profit”, “for-profit” or “for the purpose of making a profit”, we cannot assure you that the PRC government authorities will not request our subsidiaries or other cord blood banking operators to use their after-tax profits for their own development and restrict our subsidiaries’ ability to distribute their after-tax profits to us as dividends. Further, the PRC government and the competent health authorities may change their regulatory position and prohibit for-profit subscription services, or require that a special or a separate permit, license or authorization be obtained for the provision of such services. In such event, we may have to shut down or suspend our business to apply for the special or a separate permit, license or authorization. We may be subject to administrative penalties and/or claims for operation without a license. There is no assurance that we will be able to obtain the license. We may be forced to shut down our business if the cord blood banks we are operating are unable to obtain the license. Also, there is no assurance that we will be able to operate new licensed cord blood bank to expand our business. If any of the above circumstances occurs, our business, our investment and financial condition would be materially adversely affected.

According to a circular issued by the MOH on December 16, 2005, and also an extension notice published in February 2011, only one license shall be issued in any given region, and the licensed cord blood bank is not permitted to set up branches or blood stations outside the designated region in which it is licensed. The application process for a blood station license commences with the applicant’s submission to the DOH/LHFPC/LHC of a written notice concerning its intention to construct and operate a cord blood bank. Upon satisfaction of a series of complex and stringent requirements, the applicant may submit its formal application for a license. The facilities of the applicant will be inspected by the DOH/LHFPC/LHC. As provision of cord blood banking services concerns public health, the DOH/LHFPC/LHC scrutinizes the application and exercises its discretion by taking into account relevant laws and regulations and other considerations such as public health to ensure that the potential licensee is committed to the industry and is capable of providing high-quality services before granting a license. Due to the stringent application requirements, the application process can be quite time-consuming. For example, the Beijing Cord Blood Bank operated by Jiachenhong received its cord blood banking license in September 2002 after a six-year application process, and the Guangdong Cord Blood Bank operated by Nuoya received its blood station license in June 2006 after a seven-year application process. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses.

The license is valid for a term of three (for cord blood banks in Guangdong and Zhejiang) or nine (for cord blood bank in Beijing) years which may be renewed three months prior to expiration with the relevant LHC. The licenses held by cord blood banks in Beijing, Guangdong and Zhejiang operated by us are currently valid and effective, which will expire in May 2025, May 2021 and September 2019 respectively. Except as disclosed above, we do not believe it will be difficult for us to continue to renew either license in the future and there is currently no fee payable to have such licenses renewed. Licensees are subject to periodic and random inspections by the LHC, including inspections on the conditions of laboratories, storage facilities, equipment and raw material supplies and the qualification, training and competency of the technicians as well as the conduct of their business operations. Cord blood banks are required to obtain consents from the donors when they collect and accept cord blood units from the public.

On October 24, 2011, the MOH published the Notice on Strengthening the Management and Control of Cord Blood Stem Cells. The notice suggests that, in principle, cord blood banks should follow the pricing standards established by the relevant commodity price departments of PRC. However, currently, there is still lacking of a clear and explicit price level or guided-price in relation to the cord blood banking services which we provide. We cannot rule out the possibility that PRC government may establish guided-price or introduce other specific price control standards for the cord blood banking services in the future. If this happens, it will adversely affect our business operation and financial condition. If the government controlled pricing or guided-price set by relevant department of PRC government is lower than our current pricing, our business operation or financial condition will be materially adversely affected. At the same time, we cannot assure you that our new subscriber number will increase as we reduce our pricing in accordance with such policy, also, we cannot guarantee that such governmental prices will be higher than the costs of our operation.

Ownership of Cord Blood Units

Under the PRC Property Law, property owners have the right to occupy, use and dispose of their personal properties. Due to the lack of a clear definition, it is uncertain whether cord blood may be considered as property under the PRC Property Law. Assuming cord blood is considered as property under the PRC Property Law, the rights of owners of cord blood units to dispose of their cord blood units include but are not limited to entrusting the cord blood units to cord blood banking service providers for storage or otherwise forgoing the ownership of their cord blood units for donation under PRC Blood Donation Law. Further, under PRC Contract Law, gift contracts for the benefit of the public are not revocable provided that the gift contract is entered into with due authority and the contents of which is in compliance with PRC law. Therefore, owners who forgo the ownership of their cord blood units for the benefit of the public are unable to revoke the gift. In addition to subscription services, we accept and preserve cord blood units donated by the general public and deliver matching cord blood units to the hospitals for patients who are in need of transplants for a fee. For subscribers who cease subscription for our services at the end of 18 years or who fail to pay subscription fees, the subscription contracts we enter into with our subscriber expressly give us the right to treat the cord blood units stored by them as donated property and release such units to our cord blood inventory such that they become available for patients in need of transplants.

In the event of a dispute relating to the ownership of the cord blood units abandoned by our former subscribers, it is possible that a court may rule in favor of our former subscribers based on considerations of fairness and equity regardless of the fact that we have contractual rights under the subscription contracts to treat cord blood units abandoned by our former subscribers as donated property and release such units to our cord blood inventory available for patients in need of transplants. If this occurs, we may be forced to return the cord blood units or continue to store the cord blood units for the benefit of the subscribers who do not fulfill their payment obligations. If the cord blood units are provided to the hospitals for patients who are in need of transplants and are no longer available to the newborns or their family members who are in need of transplants, we may be required to compensate them and incur substantial monetary damages. See “Key Information — Risk Factors — Risks Relating to Our Business — We treat cord blood units abandoned by our former subscribers as donated property and release such units to our cord blood inventory available for patients in need of transplants. This practice may subject us to criticism that could damage our reputation.”

PRC Tort Liability Law

The PRC Tort Liability Law was adopted at the 12th Session of the Standing Committee of the 11th National People’s Congress on December 26, 2009 and effective as of July 1, 2010, which deals with tort liability relating to products, motor vehicle traffic accidents, medical treatment, environmental pollution, and high-risk operations. Under the Tort Liability Law, for acts of torts that infringe on personal rights and interests and resulting in serious mental damage, the infringer may seek compensation for mental damage. The Tort Liability Law also regulates that in the case that the personal rights and interests of an individual are infringed, loss compensation shall be made according to the loss suffered by the infringer arising from such infringement. If such loss is hard to quantify and the tortfeasor obtains any gains from the tort, then the compensation shall be weighed against such gains; but if the gains generated from the tort are also hard to be calculated and the infringer and tortfeasor fail to reach an agreement on the amount of the compensation, either of them could submit the disputes relating to the compensation to the People’s Court.

Since the cord blood units are taken from human’s body, and in the case of our business operation, are entrusted to be stored by us principally for potential clinical use, which concerns personal right of enjoying his or her physical or medical well-being, the loss or damage to the cord blood units may be identified as an infringement to personal rights and interests for which the subscribers may claim for the compensation for mental damage. See “Key Information — Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient to cover the risks related to our business, and our insurance costs may increase significantly.”

PRC Regulation on Foreign Investment in the Cord Blood Banking Industry

Foreign investment in China was previously subject to regulation by the Catalogue promulgated in November 2004 by the NDRC and the MOC. On October 31, 2007, the NDRC and the MOC revised the Catalogue and the revised Catalogue became effective on December 1, 2007. The Catalogue was newly amended on June 28, 2018, which then became effective on July 28, 2018. Under the Catalogue promulgated in 2004, there were no prohibitions against investment by foreign enterprises in the cord blood banking industry in China. Under the Catalogue revised in 2007, 2011, 2015, 2017 and 2018, however, foreign enterprises are prohibited from engaging in development of stem cell and gene diagnosis and treatment technology development and its application. Since the latest revised Catalogue still does not clearly define the scope of such prohibited business, it is uncertain whether cord blood banking services may be construed as a prohibited industry and is therefore prohibited against investment by foreign enterprises. Moreover, the Catalogue revised in 2007, 2011, 2015, 2017 and 2018 has no retroactive force and foreign enterprises approved to operate in China before their business becomes prohibited under the Catalogue revised in 2007, 2011, 2015, 2017 and 2018 should be able to continue with their current business in accordance with their existing approvals. For risks associated with the Catalogue revised in 2018, see “Key Information — Risk Factors — Risks Relating to Our Business — Our business may be materially adversely affected if we are to be prohibited from providing collection, testing, storage and matching services in connection with cord blood under the Industrial Catalogue Guiding Foreign Investment, or the “Catalogue”.

On December 28, 2013, the Standing Committee of the National People’s Congress adopted amendments to the PRC Company Law which removed a number of legal restrictions and hurdles on the establishment and operations of limited liabilities companies and companies limited by shares. On September 3, 2016, the Standing Committee of the National People’s Congress promulgated the Decision on Revising the Law of the People’s Republic of China on Foreign-invested Enterprises and Other Three Laws, or “Order 51”, which took effect on October 1, 2016. Pursuant to Order 51 and relevant regulations, where the establishment or changing of a foreign-invested enterprise does not involve the Catalogue, such matters shall be subject to administration by record-filing instead of the examination and approval. It is expected that the PRC Law of Wholly Foreign Owned Enterprises (the “WFOE Law”), the PRC Law of Sino-Foreign Equity Joint Ventures (the “EJV Law”) and their implementing regulations will be amended accordingly in order to align the WFOE Law and EJV Law with the amendments to the PRC Company Law. Jiachenhong, Nuoya and Lukou, our subsidiaries in the PRC, are governed and will be affected by the PRC Company Law, the WFOE Law, the EJV Law and their implementing rules. Our subsidiary, Lukou, of which 90% equity interest is held by our subsidiary, Jiachenhong, is not a foreign invested enterprise under PRC Law.

Other National and Provincial Level Laws and Regulations in China

We are subject to evolving laws and regulations administered by governmental authorities at the national, provincial and city levels, some of which are, or may be, applicable to our business. Our collaborating hospital(s) are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us.

Our operation of cord blood banks requires us to comply with regulations covering a broad array of subjects. We must comply with numerous additional state and local laws relating to matters such as safe working conditions, labor and employment, cord blood storage practices, environmental protection and fire hazard control. We believe we are currently in compliance with these laws and regulations in all material respects. We may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could have a material adverse effect on our business, financial condition and results of operations.

PRC Antitrust Law

The PRC Antitrust Law was promulgated on August 30, 2007 and became effective on August 1, 2008. The government authorities in charge of antitrust matters in China are the Antitrust Commission and other antitrust authorities under the State Council. The PRC Antitrust Law regulates (i) monopoly agreements, including decisions or actions in concert that preclude or impede competition, entered into by business operators; (ii) abuse of dominant market position by business operators; and (iii) concentration of business operators that may have the effect of precluding or impeding competition.

Except for the exemptions set forth under Article 15 of the PRC Antitrust Law, competing business operators are prohibited from entering into monopoly agreements that fix or change commodity prices, restrict the production volume or sales volume of commodities, divide markets for sales or procurement of raw materials, restrict procurement of new technologies or new equipment or development of new technologies or new equipment, result in joint boycott of transactions or constitute monopoly agreements as determined by the antitrust authority.

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In addition, business operators with the ability to control the price or quantity of commodities or other trading conditions or those with the ability to block or affect other business operators entering into the relevant markets are prohibited from engaging in certain business conducts that would result in abuse of their dominant market position.

Moreover, concentration of business operators refers to (i) merger with other business operators; (ii) gaining control over other business operators through acquisition of equity interest or assets of other business operators; and (iii) gaining control over other business operators through exerting influence on other business operators through contracts or other means. In the event of occurrence of any concentration of business operators and to the extent required by the Antitrust Law, the relevant business operators must file with the antitrust authority under the State Council prior to conducting the contemplated business concentration. If the antitrust authority decides not to further investigate whether the contemplated business concentration has the effect of precluding or impeding competition or fails to make a decision within 30 days from receipt of relevant materials, the relevant business operators may proceed to consummate the contemplated business concentration.

The State Council and Ministry of Commerce successively issued relevant regulations such as the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators, took effect on August 3, 2008, the Measures for the Review of Concentration of Business Operators, took effect on January 1, 2010, the Interim Provisions on Assessment of the Impact of Business Operator Concentration on Competition, took effect on September 5, 2011 and so forth. However, before the promulgation of further detailed implementing rules or determination of the relevant authorities, we are unable to determine whether we might be in violation of any aspects of the PRC Antitrust Law.

Foreign Exchange Control and Administration

Foreign exchange in China is primarily regulated by:

- The Foreign Currency Administration Rules (1996), as amended; and
- The Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Foreign Currency Administration Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, and trade and service-related foreign exchange transactions. Conversion of Renminbi into foreign currency for capital account items, such as direct investment, loans, investment in securities and repatriation of funds, however, is still subject to the approval of SAFE. Under the Administration Rules, foreign-invested enterprises may only buy, sell and remit foreign currencies at banks authorized to conduct foreign exchange transactions after providing valid commercial documents and, in the case of capital account item transactions, only after obtaining approval from SAFE.

Under the Foreign Currency Administration Rules, foreign invested enterprises are required to complete the foreign exchange registration and obtain the registration certificate. Jiachenhong and Nuoya have complied with these requirements. The profit repatriated to us from Jiachenhong and Nuoya, however, is not subject to the approval of SAFE or its authorized local branches because it is a current account item transaction.

Prior to 1994, Renminbi experienced a significant net devaluation against most major currencies, and there was significant volatility in the exchange rate during certain periods. Upon the execution of the unitary managed floating rate system in 1994, the Renminbi was devalued by 50% against the U.S. dollar. Since 1994, the Renminbi to U.S. dollar exchange rate has largely stabilized. On July 21, 2005, the People's Bank of China announced that the exchange rate of U.S. dollar to Renminbi would be adjusted from \$1 to RMB8.27 to \$1 to RMB8.11, and it ceased to peg the Renminbi to the U.S. dollar. Instead, the Renminbi would be pegged to a basket of currencies, whose components would be adjusted based on changes in market supply and demand under a set of systematic principles. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On June 19, 2010, the People's Bank of China released a statement indicating that they would "proceed further with reform of RMB exchange rate regime and increase the RMB exchange rate flexibility". On March 17, 2014, the floating band of Renminbi against U.S. dollar was increased from 1% to 2%. Since the adoption of these measures, the value of Renminbi against the U.S. dollar has fluctuated on a daily basis within narrow ranges. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant appreciation or depreciation in the value of the Renminbi against the U.S. dollar. The Renminbi may be revalued further against the U.S. dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies.

Regulation on Special Purpose Vehicle Incorporated or Controlled by PRC Residents

On July 4, 2014, SAFE issued the Circular 37, which became effective immediately and replaced the Notice 75. Circular 37 generally maintains the registration requirements of PRC residents with the local SAFE branch for establishing or controlling any offshore company as required under Notice 75, and, in comparison to Notice 75, expands the application of the registration requirement at certain aspects and provides clearer guidance and procedures for the registration requirements. According to Circular 37, prior registration with the local SAFE branch is required for PRC residents, including PRC institutions and individuals, to directly establish or to indirectly control an offshore entity, referred to in Circular 37 as a “special purpose vehicle,” for the purpose of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC, or with offshore assets or equity interests. In addition, amended registrations are required in the event of (i) any change in the basic information with respect to the registered special purpose vehicle, such as shareholders of domestic resident individuals, name, term of business etc.; or (ii) any material changes with respect to the special purpose vehicle, such as increase of capital contributed by PRC individuals, decrease of capital contribution, share transfer or exchange, merger, division or other material events. PRC residents shall also amend registration or deregister where, as a result of equity transfer, bankruptcy, dissolution, liquidation, expiration of business term, change of personal identity and etc., PRC individuals no longer possess rights and interests in the Special Purpose Vehicles, or where filings are no longer required. PRC residents, who have already contributed to Special Purpose Vehicles with onshore or offshore assets or equity interests without registration before the regulation was promulgated, were required to provide an explanation letter to SAFE for stating the reason, and SAFE will make the post-registration in accordance to the principles, such as validity and rationality, and may impose penalty for violation of regulations on foreign exchange.

Under this regulation, the SAFE registration and amendment procedures described above are prerequisites for conducting subsequent business, such as remittance of profits or dividends. Failure to comply with this regulation will subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. On November 19, 2012, the SAFE issued the Notice 59 (which had been revised pursuant to the Notice of the SAFE on Repealing and Revising the Normative Documents concerning the Reform for Registered Capital Registration System promulgated on May 4, 2015 and taken effect from May 4, 2015). The Operating Instruction, an appendix to Notice 59, provides in detail the procedures, required documents and review standard of foreign exchange registration and reverse investment by domestic residents through offshore SPVs owned or controlled by domestic residents. According to the Operating Instruction, domestic resident individuals shall register with the local SAFE branch where the assets or equities of their domestic enterprises are located. When assets or equity interests of domestic enterprises are located in different areas, such domestic residents shall select a SAFE branch office in the area, where one of the primary domestic enterprises is located, to comprehensively register with. Domestic resident individuals may establish SPVs overseas prior to the registration, however, such SPVs are not allowed to raise funds outbound, change equity interests or engage in reverse investment activity or make other substantial changes in capital or equity interests prior to the completion of the registration. Whenever SPVs change in financing matters, an alteration registration shall be made within 30 working days upon the receipt of the first batch of raised funds. The raised funds without alteration registration shall not be called back and utilized in the form of investment or foreign loan. See “Key Information — Risk Factors — Risks Relating to Operations in China — PRC regulations relating to the establishment of offshore companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into the PRC subsidiaries, limiting our subsidiaries’ ability to distribute profits to us or otherwise adversely affect us.”.

Regulation on Mergers and Acquisitions

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (“CSRC”), promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006 and then was further amended on June 22, 2009. This regulation, among other things, has certain provisions that purport to require offshore SPVs formed for the purpose of listing and controlled by PRC individuals or companies, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. According to our PRC counsel, although the CSRC generally has jurisdiction over overseas listing of SPVs, it was not necessary for us to obtain CSRC approval because, the controlling shareholder of Golden Meditech at our listing, is not a PRC individual defined by this regulation. Therefore, our PRC counsel, Zhong Lun Law Firm, is of the opinion that we were not controlled by Chinese legal or natural persons and therefore did not constitute an SPV that was required to obtain approval from the CSRC for overseas listing under the regulation. On January 31, 2018, Nanjing Ying Peng completed the acquisition of approximately 65% equity interest of the Company from Golden Meditech and became the controlling shareholder of the Company. This regulation was not applicable to this transaction.

In addition, under this regulation, mergers and acquisitions of equity or assets involving PRC enterprises by foreign investors are subject to approval by the MOC or other competent government authorities. If we continue our expansion through acquiring PRC domestic companies by our offshore affiliates, we will be subject to such approval requirement.

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Failure to comply with this regulation may lead to sanctions by the MOC or other PRC regulatory authorities that are provided for in other relevant regulations governing foreign investment, foreign exchange, taxation, business registration, securities, and administration of state-owned assets.

Regulation on Tax

On March 16, 2007, the National People's Congress of China enacted the EIT Law (which had been revised on February 24, 2017), under which both foreign-invested enterprises, or FIEs, and domestic companies would be subject to enterprise income tax at a uniform rate of 25%. Preferential tax treatments will continue to be granted to entities that conduct business in especially encouraged sectors, whether FIEs or domestic companies. The new tax law became effective on January 1, 2008. Under the new tax law, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 may (i) continue to enjoy the preferential tax rate for a period of five years after the promulgation of the new tax law; or (ii) continue to enjoy preferential tax exemption or reduction for a specified term, until the expiration of such term, except that for cases whereby, due to losses, the tax holiday has not yet started, such tax holiday shall be deemed to commence in 2008.

On December 6, 2007, the State Council approved and promulgated the Implementing Regulations for the PRC Enterprise Income Tax Law, or the implementing regulations, which took effect simultaneously with the new tax law. The implementing regulations provide clarity on a number of issues, including definitions, the scope of taxable income, the method of calculating the taxable income and amount of tax payable, income tax concessions, taxation at source and special adjustments to tax payments. On December 26, 2007, the State Council issued Circular 39. Based on Circular 39, enterprises that enjoyed a preferential tax rate of 15% in accordance with previous laws, regulations and other documents with the same effect as administrative regulations are eligible for a graduated rate increase to 25% over the 5-year period beginning January 1, 2008. For those enterprises which currently enjoy tax holidays, such tax holidays will continue until their expiration in accordance with previous tax laws, regulations and relevant regulatory documents, but where the tax holiday has not yet started because of losses, such tax holiday shall be deemed to commence from 2008, the first effective year of the new tax law.

In addition, under the new EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered as PRC resident enterprises and subject to PRC enterprise income tax at the rate of 25% on their worldwide income. We do not expect to be characterized as a resident enterprise because our managerial body as well as our office are located in Hong Kong rather than within the PRC. However, we cannot assure you that we will not be treated as a resident enterprise for PRC tax purposes. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate. For these purposes, the dividends distributed from PRC subsidiaries to us may be exempt income if we and our non-PRC subsidiaries are each treated as a qualified resident enterprise under the new tax law and the implementing regulations. If we were considered as a PRC resident enterprise, it is also possible that the new tax law and its implementation rules would cause dividends paid by us to our non-PRC shareholders to be subject to a withholding tax. In addition, under the new tax law, in the event that we are considered as a resident enterprise for PRC tax purposes, foreign shareholders and holders of our ordinary shares could become subject to a 10% income tax on any gains they realize from the transfer of their shares, if such income is regarded as income from sources within the PRC. See “Key Information — Risk Factors — Risks Relating to Operations in China — Under the PRC EIT Law, we and/or our non-PRC subsidiaries may be classified as a “resident enterprise” of the PRC. Such classification could result in PRC tax consequences to us, our non-PRC resident enterprise investors and/or our non-PRC subsidiaries.”. If we are deemed to be PRC-based but refuse to file tax returns or pay tax, or underpay our taxes, the tax authority has the power to impose upon us a penalty up to five times the tax unpaid or underpaid.

Regulation on PRC Domestic Individual's Participation of Equity Incentive Plan Offered by an Offshore Company

The regulations governing foreign exchange matters of PRC residents promulgated by the People's Bank of China require an employee share option plan or restricted share unit scheme offered by an offshore listed company to be registered with SAFE. A special bank account will be opened in the PRC for the purpose of receiving, and subsequent allocation to the participating PRC residents, the proceeds or dividends derived from such share option plan.

Dividend Distributions

Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 1997 and 2008, respectively, and various regulations issued by SAFE, and other relevant PRC government authorities, the PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China.

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Jiachenhong and Nuoya are regulated by the specific laws governing foreign-invested enterprises in the PRC and Lukou was regulated by the PRC company law. Accordingly, they are required to allocate 10% of their after-tax profits based on PRC accounting standards each year to their general reserves until the accumulated amount of such reserves has exceeded 50% of their registered capital, after which no further allocation is required to be made. These reserve funds, however, may not be distributed to equity owners except in accordance with PRC laws and regulations. In addition, due to the failure of the Measures to define or interpret the terms “non-profit”, “for-profit” or “for the purpose of making a profit” as they relate to our business, we cannot assure you that the PRC government authorities will not request our subsidiaries to use their after-tax profits for their own development and restrict our subsidiaries’ ability to distribute their after-tax profits to us as dividends.

C. Organizational Structure

We are a Cayman Islands company registered by way of continuation in the Cayman Islands on June 30, 2009.

GCBC, formerly known as CCBC, was formed through the Business Combination, which involved the Merger of Pantheon with and into Pantheon Arizona, then a wholly owned, non-operating subsidiary of Pantheon formed for the purpose of effecting the Merger, with Pantheon Arizona surviving the Merger, and the conversion and continuation of Pantheon Arizona’s corporate existence from Arizona to the Cayman Islands. Immediately following the Redomestication, the participating shareholders of approximately 93.94% of the issued and outstanding shares of CCBS completed the Share Exchange with Pantheon Arizona, and Pantheon Arizona changed its name to CCBC, resulting in CCBS becoming a subsidiary of CCBC and the participating shareholders becoming holders of CCBC’s ordinary shares. Subsequent to the Share Exchange, CCBC entered into agreements to exchange 3,506,136 newly issued CCBC shares for the remaining 6.06% of the issued and outstanding shares of CCBS on terms substantially similar to those of the Business Combination, resulting in CCBS becoming our wholly owned subsidiary. In connection with the Business Combination, we agreed to issue up to 9,000,000 ordinary share purchase warrants to our management pursuant to a warrant incentive scheme, subject to us achieving certain performance thresholds. Notwithstanding achievement of these thresholds, no warrants were ever issued, and on July 14, 2010 the scheme was cancelled.

CCBS was incorporated on January 17, 2008 under the Companies Law to become the direct holding company of CSC Holdings. CCBS has three operating subsidiaries in China: Jiachenhong, Nuoya and Lukou. As of March 31, 2018, CCBS holds an indirect 100.0% interest in each of Jiachenhong and Nuoya and an indirect 90.0% interest in Lukou. In addition, CCBS holds an indirect 10.1% interest in Cordlife Singapore, a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines.

Immediately following the Business Combination and the share exchange with the remaining CCBS’ shareholders, Golden Meditech owned 46.3% of CCBC’s issued shares through its wholly-owned subsidiary, GM Stem Cells. Golden Meditech is a publicly traded company on the Hong Kong Stock Exchange and is a China-based healthcare company with investment in the cord blood banking business via equity interests in CCBC. Golden Meditech is not engaged in any activities or businesses that compete or are likely to compete with CCBS’s business. The participating shareholders of CCBS (excluding Golden Meditech) owned 45.8% of CCBC’s issued shares, the public shareholders owned approximately 0.2% of CCBC’s issued shares, Pantheon management prior to the Business Combination owned 2.0% of CCBC’s issued shares and CCBC management team owned 5.7% of CCBC’s issued shares.

The Business Combination was accounted for in accordance with U.S. GAAP as a capital transaction in substance. Pantheon was treated as the “acquired” company for financial reporting purposes. This determination was primarily based on CCBS comprising the ongoing operations of the combined entity, the senior management of CCBS continued as the senior management of the combined company and CCBS shareholders retaining the majority of voting interests in the combined company. For accounting purposes, the Business Combination was treated as the equivalent of CCBS issuing stock and warrants for the net assets of Pantheon, accompanied by a recapitalization. Operations of the combined entity prior to the Business Combination are those of CCBS. The remaining 6.06% issued and outstanding shares of CCBS not exchanged in the Business Combination were recorded as non-controlling interest. Upon completion of the share exchange with the remaining 6.06% CCBS shares in August 2009, the carrying amount of such non-controlling interest was adjusted to reflect the change in CCBC’s ownership interest in CCBS. The difference between the fair value of the CCBC shares issued and the amount by which the non-controlling interest is adjusted, together with the transaction costs incurred, was recognized in equity attributable to CCBC.

On November 19, 2009, CCBC was listed on the NYSE with a ticker symbol “CO”. On November 24, 2009, CCBC completed a public offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per share. An over-allotment issuance of 495,867 ordinary shares was completed in January 2010. Total gross proceeds raised (including the over-allotment issuance) amounted to \$23 million. The proceeds were used for the expansion into new geographical markets, including applications for new licenses and acquisitions and investments, and for the construction and upgrading of facilities in existing geographical markets.

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We conduct our current operations through Jiachenhong, Nuoya and Lukou, our PRC subsidiaries. Jiachenhong is the operator of the sole licensed cord blood bank in Beijing, Nuoya is the operator of the sole licensed cord blood bank in Guangdong, and Lukou is the exclusive operator of the licensed cord blood bank in Zhejiang. We also indirectly owned 24.0% effective interest in Qilu, the operator of the sole licensed cord blood bank in Shandong (our controlling shareholder owns 76% of Qilu).

The cord blood bank in Beijing operated by Jiachenhong received its cord blood banking license in September 2002. In September 2003, GM Stem Cells, a wholly owned subsidiary of Golden Meditech, and an affiliate acquired a 51.0% equity interest in Jiachenhong. The remaining 49.0% equity interest in Jiachenhong was held by other founding members through a company incorporated in the British Virgin Islands. CSC Holdings was formed in January 2005 to become the holding company of Jiachenhong. Under a corporate restructuring in March 2005, CSC Holdings issued ordinary shares to GM Stem Cells and other founding members in exchange for all of their equity interests in Jiachenhong. CSC Holdings subsequently completed two private placements and four share transfers, as a result of which GM Stem Cells equity interest in CSC Holdings was reduced to 50.2%. Immediately after the Business Combination described above, GM Stem Cells owned 46.3% equity interest in GCBC.

The cord blood bank in Guangdong operated by Nuoya received its cord blood banking license in June 2006. In May 2007, CSC South, our subsidiary, completed the acquisition of Nuoya. At that time, CSC South, being 90% owned by us, is the sole shareholder of Nuoya.

The cord blood bank in Shandong operated by Qilu received its permission to commence operation from Shandong DOH in February 2008. In May 2010, we completed the investment in an effective 19.9% equity interest in Qilu via our wholly owned Hong Kong incorporated subsidiary, China Stem Cells (East) Company Limited.

In September 2010, we entered into a framework agreement to form an indirect non-wholly owned subsidiary with the Zhejiang Provincial Blood Center. Pursuant to the framework agreement, we then established a non-wholly owned subsidiary, Lukou, acquired the right to operate the cord blood bank in the Zhejiang province for a cash consideration of \$12.5 million during the year ended March 31, 2011. Lukou is 90% owned by Jiachenhong, our wholly owned PRC subsidiary, and is the exclusive cord blood banking operator in the Zhejiang province.

In November 2010, we completed a follow-on public offering of 7,000,000 shares at \$4.50 per share. Total gross proceeds of \$31.5 million raised are being used in building out our Zhejiang operation and for general working capital purposes.

In December 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the warrant exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

Cordlife was a company whose shares were listed on the Australian Securities Exchange and provided cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines. We acquired 11,730,000 shares of Cordlife for a cash consideration of AUD8.0 million in July 2007 and an additional 5,795,000 shares for a cash consideration of AUD2.4 million for the year ended March 31, 2009. In June 2010, we entered into an agreement to underwrite a rights issue for Cordlife. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of AUD2.0 million. In June 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a spin-off of Cordlife's more mature cord blood banking business. The restructuring and distribution in specie were subsequently completed and effective on June 30, 2011. Right after the restructuring, developing cord blood banking businesses in Indonesia, India and the Philippines were operated under LFC, which was listed on the Australian Securities Exchange, while the more mature cord blood banking businesses in Singapore and Hong Kong were operated under Cordlife Singapore, which was listed on the Singapore Exchange on March 29, 2012. We owned 24,366,666 shares in both LFC and Cordlife Singapore. In June 2013, Cordlife Singapore completed the acquisition of the cord blood and cord tissue banking businesses in Indonesia, India and the Philippines from LFC. After the acquisition, Cordlife Singapore operates cord blood banking businesses in both mature markets such as Singapore and Hong Kong, and developing markets such as Indonesia, India and the Philippines. Cordlife Singapore later on acquired Stemlife, a Malaysia-based cord blood banking operator. In November 2014, we acquired 1,150,000 shares in Cordlife Singapore at a consideration of approximately RMB4.6 million. As of March 31, 2018, we owned 25,516,666 shares in Cordlife Singapore, which represents a 10.1% equity interest. In December 2013, LFC acquired an unlisted company which engaged in the provision of funeral and related services, and thereafter, LFC's principal activities changed to the provision of funeral and related services. LFC's issued share capital was consolidated on the basis that each parcel of three shares held by a shareholder was consolidated into one new share. After the share consolidation, we owned a total of 8,122,222 shares in LFC. On February 1, 2018, we disposed of all the shares in LFC to liquidate our non-core investment since the Company had no strategic proposition relating to funeral business.

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On April 27, 2012, we completed the sale of \$65 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are convertible into ordinary shares at a conversion price of \$2.838 per share to BCHIL. On August 26, 2015, BCHIL transferred the convertible notes to ECHIL. On the same day, Magnum 2 acquired from BCHIL the convertible notes through acquisition of all the issued and outstanding shares of ECHIL. On January 4, 2016, Golden Meditech acquired from ECHIL the convertible notes and subsequently transferred the convertible notes to GM Stem Cells. In April 2017, GM Stem Cells converted such convertible notes and we issued 22,903,454 shares in exchange for the cancellation of the convertible notes.

In August 2012, we entered into a share purchase agreement with Cordlife Singapore in which we agreed to sell to Cordlife Singapore, and Cordlife Singapore agreed to purchase, 7,314,015 of our ordinary shares for a total purchase price of approximately \$20.8 million. Contemporaneously, CSC South entered into a share repurchase agreement with Cordlife HK to repurchase the 10% of its shares held by Cordlife HK for approximately \$16.8 million. Upon completion of the transactions on November 12, 2012, Nuoya became our indirect wholly owned subsidiary and Cordlife Singapore acquired 7,314,015 of our ordinary shares, representing approximately 10% of our issued ordinary shares as of the closing date. Such 7,314,015 ordinary shares were subsequently acquired by Golden Meditech in November 2015.

On October 3, 2012, we completed the sale of \$50 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are convertible into ordinary shares at a conversion price of \$2.838 per share to Golden Meditech. In November 2014, Golden Meditech completed the sale of such convertible note to Cordlife Singapore and Magnum Opus on a several and not joint basis, each 50% of the convertible notes. In May 2015, Golden Meditech has entered into agreements with Cordlife Singapore and Magnum Opus to purchase the convertible notes. The acquisitions of convertible notes from Cordlife Singapore and Magnum Opus were completed in November and December 2015 respectively and the convertible notes were subsequently transferred to GM Stem Cells. In April 2017, GM Stem Cells converted such convertible notes and we issued 17,618,040 shares in exchange for the cancellation of the convertible notes.

In February 2013, Favorable Fort completed a shares purchase agreement with Cordlife Services, pursuant to which Favorable Fort repurchased the 17% of its outstanding ordinary shares not already indirectly owned by the Company from Cordlife Services for a total purchase price of approximately \$8.7 million. Upon completion of the transaction, Favorable Fort became an indirect wholly owned subsidiary of GCBC and GCBC's effective equity interest in Qilu increased from 19.9% to 24.0%.

Our annual general meeting in February 2011 resolved to adopt an Incentive Plan which has a mandate limit of granting rights to receive ordinary shares not exceeding 10% of our issued and outstanding share capital to directors, officers, employees and/or consultants of GCBC and our subsidiaries. Certain administrative provisions of the Incentive Plan were subsequently amended by our Board of Directors in August 2014. A total of 7,300,000 RSUs were issued and outstanding for each of the fiscal year 2015, 2016 and 2017. In March 2018, all 7,300,000 RSUs granted were fully vested and no RSUs were issued and outstanding as of March 31, 2018.

On April 27, 2015, our Board of Directors received the GM Proposal, pursuant to which Golden Meditech proposed to acquire all of the outstanding ordinary shares of the Company not already directly or indirectly owned by Golden Meditech for \$6.40 per ordinary share in cash in a "going private" transaction. On the same day, the Board of Directors formed a Special Committee to evaluate the GM Proposal and certain other potential transactions involving the Company. The Special Committee subsequently appointed Houlihan Lokey (China) Limited as its independent financial advisor, Cleary Gottlieb Steen & Hamilton LLP as its United States legal counsel and Maples & Calder as its Cayman Islands legal counsel to assist in evaluating GM Proposal and the Company's other alternatives. On April 13, 2017, the Board of Directors of the Company adopted the recommendation of the Special Committee to terminate any further evaluation and negotiation regarding the GM Proposal.

On December 30, 2016, GM Stem Cells and Nanjing Ying Peng entered into the GM Sale Agreement, pursuant to which GM Stem Cells agreed to sell to Nanjing Ying Peng the GM Sale Shares, representing approximately 65% equity interest of the Company on a fully diluted basis, for RMB5.764 billion in cash. GM Stem Cells and Nanjing Ying Peng also entered into a profit compensation agreement, pursuant to which GM Stem Cells agreed to provide certain undertakings to Nanjing Ying Peng with respect to the financial performance of the Company for each of the calendar years ending 31 December 2016, 2017 and 2018. The transaction as contemplated under the GM Sale Agreement was consummated on January 31, 2018 and GM Stem Cells ceased to own any shares of the Company. Nanjing Ying Peng, via its subsidiary, became a major shareholder of the Company. Following the entry of Nanjing Ying Peng, its authorized representative of the executive partner, Mr. Ping Xu, was appointed as a director of the Board of Directors of the Company. Simultaneously, Mr. Yuen Kam resigned from his positions as chairman and director of the Board of Directors and as chairman and member of the Nominating and Corporate Governance Committee of the Company, effective as of January 31, 2018. Following Mr. Kam's resignation, Ms. Ting Zheng, chief executive officer of the Company, was appointed as the chairperson of the Board of Directors and the chairperson of the Nominating and Corporate Governance Committee. Mr. Mark Chen, one of the Company's existing independent non-executive directors, also joined as a new member of the Nominating and Corporate Governance Committee.

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On March 16, 2018, the shareholders approved the change of the Company name from “China Cord Blood Corporation” to “Global Cord Blood Corporation” through an extraordinary general meeting to better reflect the future development direction and business strategy of the Company. The Company’s ordinary shares commenced trading under the new name on the NYSE with effect from March 22, 2018.

Our holding company structure allows our management and shareholders to take significant corporate actions without having to submit these actions for approval or consent of the administrative agencies in every jurisdiction where we have significant operations.

D. Property, Plant and Equipment

As of March 31, 2018, we maintain facilities in Beijing, Guangdong and Zhejiang. The following table sets forth certain information relating to the premises we occupy:

<u>Premises</u>	<u>Nature of use</u>	<u>Terms of use</u>	<u>Area occupied (in square meters)</u>
Beijing	Laboratories, storage facilities for cord blood units and office space	Acquired in November 2006 for a consideration of RMB28.6 million for a term of 40 years.	9,600
Guangdong	Laboratories, storage facilities for cord blood units and office space	Acquired in June 2012 for a consideration of RMB100.0 million for a term of 44 years.	14,608
Zhejiang	Laboratories, storage facilities for cord blood units and office space	Entered into agreement in January 2013 to acquire a property for a consideration of RMB87.3 million for a term of 50 years.	5,562
Total			<u>29,770</u>

Our facilities in Beijing, Guangdong and Zhejiang are equipped with an enterprise resource planning system. The system has been customized to monitor our sales performance, monitor testing processes and results for every cord blood unit that come through, keep real-time record of storage movement in cord blood banks, handle billing matters and track customer hotline interactions.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section titled “Key Information — Selected Financial Data” and the consolidated financial statements included elsewhere in this report. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in “Key Information — Risk Factors” of this report.

Overview

We are the leading provider of cord blood banking services in China. We provide cord blood services for expectant parents interested in capturing the opportunities made available by evolving medical treatments and technologies such as cord blood transplants. We also preserve cord blood units donated by the public, provide matching services on such donated units and deliver matching units to the hospitals for patients who are in need of transplants. Our Beijing-based subsidiary, Jiachenhong, was the operator of the first licensed cord blood bank in China. The PRC government only grants one cord blood banking license per province or municipality. According to the Notice on Extension of Time Limit on Planning and Establishment of the Cord Blood Bank published by the NHFPC in December 2015, the NHFPC extended the planning and establishment timetable for cord blood banking and will not grant any new licenses before 2020 in addition to the seven existing cord blood banking licenses. Our operations currently benefit from multiple exclusive cord blood banking licenses issued in China, including our licenses for Beijing, Guangdong, and Zhejiang. We also have an investment in a 24.0% equity interest in Qilu, the operator of the exclusive licensed cord blood bank in the Shandong province (our controlling shareholder owns 76% of Qilu).

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Our cord blood banking network is the largest in China. The aggregate number of births in our operating regions including Beijing, Guangdong and Zhejiang was estimated to be over 2.1 million in 2016, accounting for approximately 42% of the total newborn population in the seven provinces and municipalities that have been authorized or issued cord blood banking licenses to date, according to the China Statistical Yearbook 2017. We believe our leading market position and track record of growing our subscriber base position us well to continue to expand our presence in China. According to the China Statistical Yearbook 2017, the nation has a newborn population of approximately 17.9 million in 2016; and according to the CIA World Factbook, China had the second largest newborn population in the world. Cord blood banking as a precautionary healthcare measure is still a relatively new concept in China, with penetration rates that we estimate to be less than 1% of China's overall newborn population. The estimated penetration rate in our operating regions is approximately 3%, 3% and 4% for the fiscal years ended March 31, 2015, 2016 and 2017 (based on the number of new subscriber sign-ups for the fiscal years ended March 31 2015, 2016 and 2017 divided by the estimated number of newborns of the corresponding calendar years ended December 31, 2014, 2015 and 2016 according to the China Statistical Yearbook).

The following table that indicates the estimated number of births and penetration rate in the Company's operating regions based on new subscriber sign-ups for the fiscal year ended March 31 following each reported calendar year.

Fiscal year	Estimated no. of births in the Company's operating regions ⁽¹⁾	New subscriber sign-ups (net) ⁽²⁾	Estimated penetration rate in the Company's operating regions
2015	1,940,254	64,736	3%
2016	1,952,586	62,909	3%
2017	2,121,261	74,952	4%

(1) Source: China Statistical Year Book 2015, 2016 and 2017, calendar year information for 2014, 2015 and 2016.

(2) Based on the fiscal year ended March 31 following the calendar year reported.

We expect the demand for cord blood banking services will grow due to factors such as rising disposable income in the PRC and increasing public awareness of the benefits of cord blood and hematopoietic stem cell related therapies.

Furthermore, we are a significant shareholder with 10.1% equity interest (as of March 31, 2018) in Cordlife Singapore, which is the leading cord blood banking operator in Southeast Asia. Our position as a significant shareholder in Cordlife Singapore provides exposure and insight into attractive markets such as India, Indonesia, Malaysia and the Philippines, and relatively mature markets such as Singapore and Hong Kong.

We have developed a highly effective sales and marketing platform that has enabled us to consistently grow our cord blood subscriber base in the markets we serve. Our 731-person sales team has direct access to expectant parents through collaboration with 352 hospitals in Beijing, Guangdong and Zhejiang. We also cooperate with local government agencies and medical institutions and utilize a variety of marketing programs, including media advertising, seminars and pre-natal classes, to further educate expectant parents on the benefits of cord blood banking. Our accumulated subscriber base has grown from 23,322 in March 2007 to 661,618 in March 2018.

We generate substantially all of our revenues from subscription fees. The standard payment arrangement for our services consists of processing fees payable at the time of subscription and storage fees payable by our subscribers on an annual basis for as long as the contracts remain effective, which typically have a contract period of 18 years. The contracts can be terminated early by the parents at each anniversary of the contract or further extended, at the option of the children, after reaching adulthood. This payment structure provides us with a steady stream of recurring revenue and cash flow. For the year ended March 31, 2018, storage revenue represented 34.7% of our total revenues.

We recorded revenues and net income of RMB936.8 million (\$149.3 million) and RMB240.9 million (\$38.4 million), respectively, during our fiscal year ended March 31, 2018.

Substantially all of our revenues consist of fees generated from our subscription services, which consist of the collection of the newborn's cord blood unit at one of our collaborating hospitals and the transportation of the cord blood unit to one of our facilities for testing and processing, referred to in this report as "processing services", and the long-term storage of the cord blood unit at the facility, referred to in this report as "storage services". Our contracts with our subscribers, referred to in this report as "subscription contracts", are renewed automatically each year for a period of 18 years, with subscribers having the option to terminate their contracts at the time of contract renewal.

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Fees payable under the subscription contracts, referred to in this report as “subscription fees”, consist of two components: a one-time “processing fee”, which reflects consideration for the processing services, and an annual “storage fee”, which reflects consideration for the storage services in the forthcoming year. This payment structure enables us to enjoy a steady stream of long-term cash inflow. We expect such long-term cash flow to continue to increase as our subscriber base continues to grow. In addition, we generate a small portion of revenues from fees generated from our matching services, referred to in this report as “matching fees”, which reflect consideration for providing matching cord blood units collected from public donors to the hospitals for patients who are in need of transplants. Because a portion of our operating costs, such as costs of maintaining storage cylinders and automated monitoring systems, are fixed, we are likely to benefit from economies of scale as the number of units stored at our cord blood facilities increases.

Our new subscriber sign-ups for the years ended March 31, 2016, 2017 and 2018 were 62,909, 74,952 and 91,789, respectively. We intend to grow revenues by continuing to enlarge our subscriber base. One major strategy is by increasing our penetration rates into existing markets through expanding our hospital networks and enhancing our sales and marketing initiatives. Hence, we expect to incur more sales and marketing expense in the future. Another major strategy is by expanding our geographical coverage by acquiring or collaborating with one or more license holder or potential license applicants in other regions. To service the various regions, we have storage facilities established across different regions. We have storage facilities in Beijing, Guangdong and Zhejiang. See “— Our Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Expenditures”. In evaluating our financial condition and results of operations, attention should be drawn to the following areas:

- **Acquisition of Nuoya.** Prior to our acquisition of the right to operate in Guangdong through our acquisition of Nuoya, Nuoya did not engage in commercial operation and had no substantial liabilities, and its former management did not maintain complete, accurate and reliable financial information. We nonetheless proceeded with the investment because the cord blood bank operated by Nuoya had the exclusive right to operate in Guangdong, one of our target markets. Shortly after the acquisition, we remedied the situation by making the necessary corporate actions.
- **Investment in Lukou.** In September 2010, we entered into a framework agreement to form an indirect non-wholly owned subsidiary with the Zhejiang Provincial Blood Center. Pursuant to the framework agreement, we then established a non-wholly owned subsidiary, Lukou, acquired the right to operate the cord blood bank in the Zhejiang province for a cash consideration of \$12.5 million during the year ended March 31, 2011. Lukou is 90% owned by Jiachenhong, our wholly owned PRC subsidiary, and is the exclusive cord blood banking operator in the Zhejiang province to provide cord blood stem cell banking service for expectant parents and to preserve cord blood units donated by the public but it had no commercial operation prior to our involvement.
- **Investment in Qilu.** Qilu is the operator of the sole licensed cord blood bank in the Shandong province. It obtained permission from the Shandong DOH to commence operation in February 2008. In May 2010, we invested in a 19.9% equity interest in Qilu and in February 2013, we further increased our equity interest in Qilu to 24.0% (our controlling shareholder owns 76% of Qilu). In light of our minority equity interest and that we do not have any representation in the Board of Directors of Qilu, we do not have any control or significant influence in Qilu either before or after February 2013. Therefore, we do not consolidate or account for under the equity method our share of Qilu’s operating results and net assets, and record the investment at cost less impairment losses (if any).
- **Limited operating history.** Our future prospects are subject to risks and uncertainties beyond our control. Part of our growth strategy involves acquiring business of other licensed cord blood banks or partnering with potential license applicants. Acquisition or partnership may introduce uncertainty and risk beyond our control. Nuoya was acquired by us in May 2007. While it has been in operation for years, its operating history is still considered limited comparing to our Beijing subsidiary. Hence, there may be unexpected events that will materially affect our operation in Guangdong, in turn affecting our group as a whole. In addition, Lukou has a very limited operating history and no commercial operation prior to our involvement, hence, there may be unforeseeable event which can materially affect Lukou’s operation.

Factors Affecting Our Financial Condition and Results of Operations

We have benefited significantly from favorable demographic trends, overall economic growth and increased demand for innovative healthcare services in China. The overall economic growth and the increase in the GDP per capita in China in recent years have led to a significant increase in healthcare spending in China. We anticipate that demand for cord blood banking services will continue to increase as the economy in China continues to grow and as disposable income of urban households continues to rise. Any adverse changes in the economic conditions or regulatory environment in China, however, may have a material adverse effect on the cord blood banking industry in China, which in turn may harm our business and results of operations.

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Demand for Cord Blood Banking Services

As of the date of this report, seven cord blood banking licenses had been granted in seven regions in China, and the PRC government will not grant any new cord blood banking licenses before 2020 in addition to the seven existing cord blood banking licenses. Future demand for the cord blood banking industry in China is expected to be driven mainly by (i) increased penetration rates along with a large number of newborns in China arising from its sizeable population; (ii) increased healthcare expenditure as a result of the growth in GDP and disposable income in urban areas; (iii) increased sales and marketing efforts to increase the public awareness of the benefits associated with cord blood banking; and (iv) additional diseases that stem cells could be used for treatment. We intend to generate additional demand for our services by enhancing our sales and marketing initiatives and expanding hospital networks to increase the public awareness of benefits associated with cord blood banking.

Average Revenue per Subscriber

Substantially all of our revenues are derived from the fees payable by subscribers in connection with the handling of the cord blood units of their newborns. Our standard package requires our subscribers to pay a one-time processing fee and an annual storage fee for a period up to 18 years. If the examination results indicate that the cord blood stem cells are not viable for storage, we will refund some or all processing fee depending on the regions and the payment option which subscribers elected.

All processing fees were inclusive of a 5% business tax, which has been substituted by 6% value-added tax since September 1, 2012 in Beijing, November 1, 2012 in Guangdong and December 1, 2012 in Zhejiang. Prior to April 1, 2011, we charged a one-time processing fee of RMB5,000. Effective from April 1, 2011, we raised the one-time processing fee from RMB5,000 to RMB5,800. Effective from April 1, 2013 in Guangdong and Zhejiang, and from May 1, 2013 in Beijing, we increased the one-time processing fee from RMB5,800 to RMB6,800.

Aside from the processing fee, a subscriber is obligated to make an annual payment (inclusive of a 5% business tax or 6% value-added tax). For subscription prior to April 1, 2013 in Guangdong and Zhejiang and May 1, 2013 in Beijing, a subscriber is obligated to make an annual payment of RMB620. A subscriber who signed up after April 1, 2013 in Guangdong and Zhejiang and May 1, 2013 in Beijing is obligated to make an annual payment of RMB980. Starting from January 1, 2014, a subscriber in Beijing who signed up prior to May 1, 2013 and elected payment option (1) or (3) as described below, is obligated to pay the revised annual payment of RMB655. All annual payments consist of an insurance premium of approximately RMB120 and a storage fee (inclusive of a 5% business tax or 6% value-added tax). Storage fee for subscription prior to April 1, 2013 in Guangdong and Zhejiang and May 1, 2013 in Beijing was approximately RMB500 per annum. A subscriber who signed up after April 1, 2013 in Guangdong and Zhejiang and May 1, 2013 in Beijing is obligated to pay a storage fee of approximately RMB860. Starting from January 1, 2014, a subscriber in Beijing who signed up prior to May 1, 2013 and elected payment option (1) or (3) is obligated to pay the revised storage fee of approximately RMB535. The entire amount of the insurance premium is subsequently forwarded to an independent third party health insurance provider for and on behalf of such subscriber to cover potential hospitalization costs of the newborn. The subscriber cannot elect not to pay the annual insurance premium. We do not assume any credit risk in respect of the collection of such insurance premium and have no obligations to our subscribers under the insurance policies. See Note 12 to our consolidated financial statements included elsewhere in this report. Since we are not the primary obligor for the provision of insurance services, the insurance premium received and paid to the insurance provider are not included in our consolidated statements of comprehensive income.

Because there is no written policy from the Bureau of Price in relation to the pricing of cord blood banking services, currently, we have the flexibility to set and adjust the subscription packages in response to changing market dynamics and have been targeting our subscription services at all expectant parents in our existing markets. For example, we offer medical practitioners, including doctors, nurses or other medical professionals, cord blood banking services at certain discounts from time to time. If subscription services become subject to price control in China, our financial condition and results of operations would be adversely affected. See “Key Information — Risk Factors — Risks Relating to Our Business — Our business and financial results may be materially adversely affected as a result of regulatory changes in the cord blood banking industry in China.”

Payment Methods for Subscribers

We offered our subscribers three payment options:

- **Option One:** payment of a one-time processing fee of RMB6,800 (RMB5,800 prior to April 1, 2013 in Guangdong and Zhejiang, and May 1, 2013 in Beijing; and RMB5,000 prior to April 1, 2011) upon delivery of the cord blood unit to our premises for testing and processing, which we referred generally as “the time of subscription”, and an annual storage fee of approximately RMB860 payable each year by subscribers who signed up after April 1, 2013 in Guangdong and Zhejiang, and May 1, 2013 in Beijing (RMB500 prior to April 1, 2013 in Guangdong and Zhejiang, and May 1, 2013 in Beijing) for a period of 18 years. Starting from January 1, 2014, subscribers in Beijing who elected this payment option and signed up before May 1, 2013 is obligated to pay a revised annual storage fee of RMB535.
- **Option Two:** payment of a one-time processing fee of RMB5,000 and an upfront payment for 18 years of storage fees at a discount of 20% to the total amount of storage fees payable under the contract at the time of subscription. This payment option has been suspended since January 1, 2008. Nevertheless, an amended version of this option, which provides for the payment of a one-time processing fee of RMB5,000 and an upfront payment for 18 years of storage fees (with no discount) at the time of subscription, had become available to new subscribers since February 1, 2009. Effective from April 1, 2011, subscribers in Beijing who choose this option will pay a one-time processing fee of RMB5,800 and an upfront payment for 18 years of storage fees (approximately RMB500 x 18) with no discount. Effective from April 1, 2011, subscribers in Guangdong who choose this option will pay an upfront payment for 18 years of storage fees (approximately RMB500 x 18) and a one-time processing fee of RMB4,640, representing a 20% discount of the one-time processing fee. Effective from April 1, 2013 in Guangdong and Zhejiang, and from May 1, 2013 in Beijing, subscribers who choose this option will pay an upfront payment for 18 years of storage fees (approximately RMB602 x 18) and a one-time processing fee of RMB6,800, representing a discount of RMB4,640 of the total storage fees payable over the contract period.
- **Option Three:** payment of the processing fee by installment, including an initial payment of RMB1,100 at the signing of the contract and an annual payment of RMB300 each year from the second year until the end of the eighteenth year, representing a surcharge of RMB1,200 to the total amount of processing fees payable under the contract, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years, applicable to subscriptions in Beijing and Guangdong prior to April 1, 2011.

Between April 1, 2011 and April 30, 2013, new subscribers in Beijing who choose this payment option will pay an initial payment of RMB1,250 at the signing of the contract and an annual payment of RMB350 each year starting from the second year until the end of the eighteenth year, resulting in a surcharge of RMB1,400 to the amount of processing fee payable under the contract, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years. Starting from May 1, 2013, new subscribers in Beijing who choose this payment option will pay the processing fee of RMB6,800 in two equal installments, with one payment at the time of subscription and the other at the second year of subscription. The storage fee for 18 years will be paid in four annual installments of RMB3,380 and payable starting from the third year of subscription, representing a discount of RMB1,960 of the total storage fees payable over the contract period. Starting from January 1, 2014, subscribers in Beijing who elected this payment option and subscribed the service before May 1, 2013 are obligated to pay a revised annual storage fee of approximately RMB535.

Between April 1, 2011 and June 30, 2011, new subscribers in Guangdong who choose this payment option, will pay processing fee by four annual installments. The first, second, third and fourth installment payments are RMB1,800, RMB1,700, RMB1,600 and RMB1,200 respectively. This resulted in a surcharge of RMB500 to the amount of processing fee payable under the contract, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years. From July 1, 2011 to March 31, 2013, new subscribers in Guangdong who choose to pay processing fee by installments will make an initial payment of RMB1,460, follow by four annual payments of RMB1,210 each, representing a surcharge of RMB500 to the amount of processing fee payable under the contract, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years. Payment option (3) was not offered to subscribers in Guangdong during April 1, 2013 to June 30, 2013. Effective from July 1, 2013, new subscribers in Guangdong will pay an initial payment of RMB1,820 at the signing of the contract and an annual payment of RMB1,420 each year starting from the second year until the end of the fifth year, resulting in a surcharge of RMB700 to the amount of processing fees payable under the contract, and an annual storage fee of approximately RMB860 payable each year for a period of 18 years. Payment option (3) is not offered to subscribers in Zhejiang.

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For the year ended March 31, 2018, approximately 50.8% of new subscribers chose Option One, compared to 46.8% in the year ended March 31, 2017. Option Two represented approximately 47.1% of new subscribers who signed up during the years ended March 31, 2018, compared to 48.9% in the previous year. 2.1% of new subscribers chose Option Three for the year ended March 31, 2018, compared to 4.3% in the year ended March 31, 2017. Under Option One, our subscribers are contractually obligated to pay the processing fee at the time of subscription. Some subscribers, however, settle the processing fee after the completion of the processing services. Under Option Three, our subscribers pay the processing fee by installments. Because we recognize the processing fee as revenue upon completion of the processing services, there is an outstanding account receivable if the subscriber has not yet paid the processing fees upon such completion. The amounts due within one year are recorded in current accounts receivable for Option Three. As of March 31, 2018, current accounts receivable decreased to RMB107.8 million (\$17.2 million), as compared to RMB112.5 million last year due to a shorter collection cycle, decrease in new subscribers electing Option Three and RMB4.8 million (\$0.8 million) write-off of current accounts receivable as the Company determined that the recoverability of the amounts due from 5,211 private cord blood banking subscribers was low. Turnover periods for current accounts receivable for the years ended March 31, 2016, 2017 and 2018 determined based on average current accounts receivable and revenues in the respective periods, were 68 days, 57 days and 43, respectively.

For subscribers choosing Option Three, the portion of the revenue which is not yet collectible within one year will be recorded in the non-current receivables. Non-current accounts receivable decreased mainly driven by the decrease in new subscribers choosing Option Three and RMB1.5 million (\$0.2 million write-off due to the low recoverability of 5,211 private cord blood banking subscribers. Non-current accounts receivable as of March 31, 2018 amounted to RMB101.8 million (\$16.2 million), as compared to RMB135.1 million last year.

Duration of Subscription Services

Our business requires delivery of services to our subscribers on a long-term basis. Our subscription contracts typically are automatically renewed each year for a period of 18 years. The contract may be extended beyond the initial 18 years at the election of the child when he or she reaches adulthood. The contract may be shorter than 18 years if the cord blood unit is needed for transplants by the child or a family member or if the subscriber terminates the contract by notice prior to the end of 18 years. As illustrated below, our practice of entering into long-term contracts with subscribers imposes constraints and uncertainties on our operations:

- Our subscribers are not subject to any penalties if they terminate subscription contracts prior to the end of the initial 18-year term. A subscriber may elect to terminate the subscription service by providing a termination request. The subscriber will then be released from the contractual obligation upon settling all outstanding amounts payable to us in respect of any overdue storage fees and the remaining element of the processing fee to the extent not yet invoiced (for those customers electing to use payment option (3)). Although we have not experienced significant early termination requests from our subscribers in the past, there is no guarantee that all subscribers will fulfill their contractual obligations by continuing to pay storage fees on an annual basis for the full period of 18 years. See “Key Information — Risk Factors — Risks Relating to Our Business — Our financial condition and results of operations may be materially adversely affected if a significant number of our subscribers terminate their contracts with us prior to the end of a typical contract period of 18 years.” As of March 31, 2011, there were 3,604 subscribers who had been delinquent for over 18 months in paying their storage fees and we have ceased to recognize storage revenue from such delinquent subscribers. During the year ended March 31, 2012, we performed a retrospective review of delinquent receivable collections for the period from fiscal year 2011 to fiscal year 2012. The results of this review indicated there was a high percentage of successful collections of receivables that were delinquent over 18 months but less than 24 months. As a result, we changed our estimate of not recognizing storage revenue from subscriber who was delinquent for more than 18 months to 24 months in the year ended March 31, 2012. There were 9,752 subscribers who had been delinquent for more than 24 months as of March 31, 2012. The change was not significant as the impact of the change representing approximately 1% of total net revenues for the year ended March 31, 2012. As of March 31, 2017, and 2018, there were 16,047 and 45,931 subscribers who had been delinquent for over 24 months and we have ceased recognizing storage revenue from such delinquent subscribers. The references to our number of subscribers as of a particular date in this annual report are inclusive of delinquent subscribers and therefore do not represent the total number of paying subscribers.
- For subscription contracts signed before January 1, 2008, we do not have the right to amend or terminate such subscription contracts as long as our subscribers continue to renew the contract over the 18-year period. Inflation in China may adversely impact our profit margins through increased costs of compensation and expenses. Although we believe that we could offset some of the effects of inflation through technological advances, economies of scale and operational efficiencies, our financial condition and results of operations may be materially adversely affected by increased operating costs. Starting from January 1, 2008, under the new subscription contract, we reserved the right to review and adjust the annual storage fee in accordance with the local inflation index.

Sales and Marketing Activities Undertaken through Our Hospital Networks

We provide our services through collaboration with selected hospitals in our operation regions. All cord blood collection services are performed and a significant portion of our sales and marketing activities are undertaken through our network of collaborating hospitals, for which hospitals are reimbursed for the costs of materials and resources utilized in the cord blood collection process. Accordingly, our success is dependent upon our ability to utilize our hospital networks to undertake sales and marketing activities to increase penetration in our existing markets. As of March 31, 2018, we collaborate with 352 hospitals across Beijing, Guangdong and Zhejiang.

Our ability to generate revenue growth depend, to a large extent, on our ability to develop and maintain collaborative relationships with prominent hospitals. This is particularly the case for highly reputable hospitals or hospitals where we have derived a significant portion of revenues in the past and expect to continue to do so in the future. Termination or alteration of any contracts with any major collaborating hospitals could have a material adverse effect on our business.

Application for Cord Blood Banking Licenses

One of our major strategies is to expand our geographical coverage by applying for licenses in other regions, which is closely related to our ability to capture growth opportunities in other markets in China. While we have no immediate plan to apply for licenses, if opportunities available in the future, we will not exclude the possibility to apply for licenses. An application for a cord blood banking license in a region starts with submission of a written notice to the relevant LHC concerning the applicant's intention to construct and operate a cord blood bank. As the offering of cord blood banking services concerns public health, the LHC scrutinizes the application and exercises its discretion by taking into account relevant laws and regulations and other considerations such as public health to ensure that applicant is committed to the industry and is capable of providing quality services. Upon its satisfaction of a series of complex and stringent requirements, including those applicable to storage facilities, the applicant may submit its formal application for a license. Following the receipt of the formal application, the LHC will consider granting the license to the applicant upon its satisfactory inspection of its facilities.

Our likelihood of success in our application should be evaluated in light of following:

- It generally takes several years to receive a cord blood banking license in China. Following the submission of a written notice to the LHC, the applicant usually would be required to incur significant initial investments, including costs associated with the construction of facilities, to demonstrate to the LHC that it is capable of meeting the stringent application requirements for a license prior to the receipt of such a license. For example, the cord blood bank in Beijing operated by Jiachenhong took six years to obtain its license, during which time it incurred substantial costs to construct facilities meeting the stringent application requirements prior to obtaining a license.
- As the first operator of the licensed cord blood bank in China with multiple cord blood banking licenses issued by the PRC government authorities to date, we believe that our operational knowledge, experience and expertise provide a strong platform to apply for additional licenses (if available). Currently, we have not submitted any written notice to any LHC concerning our intention to construct and operate a cord blood bank in any region. We will not commence the construction of a cord blood bank prior to formal submission of a written notice to the LHC in any region in which we intend to construct and operate a cord blood bank. However, if we decide to submit such a written notice, we will be required to commence construction of cord blood bank facilities to demonstrate the capability of meeting stringent application requirements for a license prior to receiving the license. It is possible that applications in the future will be rejected after we have incurred a significant initial investment in the process. In such circumstances, our financial condition and results of operations may be materially adversely affected. See “Key Information — Risk Factors — Risks Relating to Our Business — We may incur significant initial investments to apply for cord blood banking licenses in other regions, and if we are unsuccessful, our operating results could be materially adversely affected.”

- There exist substantial uncertainties in the regulatory framework for the cord blood banking industry in China. We may be required to revise our business plan from time to time to respond to a changing regulatory environment, which could materially adversely affect our financial condition and results of operations. For example, prior to March 2005, there were two cord blood banks under construction in the regions outside Beijing as part of the strategy to further expand business in regions where the PRC government is likely to issue additional cord blood banking licenses. The business judgment on the locations of these two cord blood banks was made based on the information available at the time. As we continued to monitor the government's policy on regions where additional cord blood banking licenses were likely to be issued but basing on available information, we were unable to ascertain whether the locations of the two cord blood banks were regions where additional cord blood banking licenses in China were likely to be issued. As such, we abandoned construction of the two cord blood banks and incurred an impairment loss of RMB13.5 million for the year ended March 31, 2006. Currently, we have neither identified any specific locations nor expressed any written interest in constructing a cord blood bank.

Acquisition of or Investment in Other Cord Blood Banking Operators

We seek to expand our geographical coverage by acquiring or investing in cord blood banking operators or potential applicants in other regions. Period-to-period comparisons of our operation results must therefore be evaluated in light of the impact of such acquisitions. In May 2007, CSC South, our subsidiary, acquired Nuoya for a total consideration, including direct expenses, of RMB30.9 million in cash. In November 2012, Nuoya became our indirect wholly owned subsidiary upon completion of transactions with Cordlife Singapore and Cordlife HK. Nuoya is our cord blood banking operator in Guangdong, one of the most populous regions in China. According to the China Statistical Yearbook 2017, the number of newborns in Guangdong was approximately 1.3 million in 2016. Since May 2007, our operation in Guangdong has grown significantly.

In May 2010, we completed the investment in a 19.9% effective interest in Qilu, the exclusive cord blood banking operator in the Shandong province for a cash consideration of approximately \$20.5 million. In February 2013, we further increased our equity interest in Qilu from 19.9% to 24.0% (our controlling shareholder owns 76% of Qilu). Based on China Statistical Yearbook 2017, over 1.7 million babies were born within the Shandong province during 2016. It represented a very sizable market.

During the year ended March 31, 2011, we obtained the operating right to operate the Zhejiang Cord Blood Bank for consideration of \$12.5 million, and to operate the Zhejiang Cord Blood Bank through our indirect 90% own subsidiary, Lukou. Through these transactions, we further expanded our addressable market size by accessing the Zhejiang province as the exclusive cord blood banking operator. Based on China Statistical Yearbook 2017, over 0.6 million babies were born within the Zhejiang province during 2016. It also represented a sizable market opportunity.

Cordlife was a publicly traded company on the Australian Securities Exchange, with cord blood banking services as its main business line. We acquired 11,730,000 shares of Cordlife for a cash consideration of AUD8.0 million in July 2007 and an additional 5,795,000 shares for a cash consideration of AUD2.4 million for the year ended March 31, 2009. In June 2010, we entered into an agreement to underwrite Cordlife's rights issue for a total capital raise of AUD11.6 million. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of AUD2.0 million, satisfied in cash. In June 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a spin-off of Cordlife's more mature cord blood banking business. The restructuring and distribution in specie were subsequently completed and effective on June 30, 2011. Right after the restructuring, we owned 24,366,666 shares in both LFC and Cordlife Singapore. Cordlife Singapore was subsequently listed on the Singapore Exchange on March 29, 2012. In November 2014, we acquired 1,150,000 shares in Cordlife Singapore at a consideration of approximately RMB4.6 million. In December 2013, LFC's issued share capital was consolidated on the basis that each parcel of three shares held by a shareholder was consolidated into one new share. After the share consolidation, we owned a total of 8,122,222 shares in LFC. In February 2018, the Company disposed of all of its shares in LFC to liquidate its non-core investment since the Company had no strategic proposition relating to funeral business.

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As of March 31, 2018, we owned 25,516,666 shares in Cordlife Singapore, which represents a 10.1% equity interest. Our investment in Cordlife Singapore are accounted for as available-for-sale equity securities and are stated at fair value in our consolidated balance sheets as of March 31, 2018, with remeasurements of fair value recognized as other comprehensive income or loss, as the case may be, or impairment losses in the consolidated statements of comprehensive income for the corresponding periods to the extent of impairment losses considered to be other-than-temporary. During the six months ended September 30, 2015 and nine months ended December 31, 2016, we recorded impairment loss of RMB8.4 million and RMB2.5 million, respectively, on our investment in LFC. Having considered the extent of the decline in the fair value of the ordinary shares of LFC, the length of time during which the market value of the shares had been below cost, and the financial condition and near-term prospects of LFC, our management considered that the decline in value on the investment in LFC up to September 30, 2015 and December 31, 2016 was other-than-temporary. As a result, impairment loss of RMB8.4 million and RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, during the years ended March 31, 2016 and 2017 respectively and the market value as of December 31, 2016 formed a new cost basis of our investment in LFC. The investment in LFC was disposed of in February 2018 and the unrealized holding loss was recognized in earnings, which was transferred from other comprehensive income, during the year ended March 31, 2018. We did not consolidate or account for under the equity method our share of LFC's or Cordlife Singapore's operating results and net assets. Currently, Cordlife Singapore is a provider of cord blood banking services in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines.

We may acquire operators with little experience in offering subscription services. It takes time for a new cord blood bank to achieve operating efficiencies and planned subscriber levels due to challenges typically associated with a new operation, including the need to establish strategic alliances with local hospitals, to train and certify medical professionals affiliated with these hospitals, and to hire and train sufficient sales and marketing personnel. Further, such acquisitions require significant capital expenditures as well as substantial investments of management time and other resources. As a result, we expect profitability will be under pressure shortly after expansion into a new geographical region, but we expect this trend to reverse after having completed much of the expansion required in the new market.

Tax Treatment

All of our operations are based in China, and our PRC subsidiaries, Jiachenhong, Nuoya and Lukou, are subject to PRC taxes, including enterprise income tax.

On March 16, 2007, the National People's Congress approved and promulgated the EIT Law which took effect on January 1, 2008 and revised on February 24, 2017. On December 6, 2007, the State Council approved and promulgated the Implementing Regulations for the EIT Law, which took effect simultaneously with the new tax law. Under the new tax law, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%. The new tax law provides a five-year transition period starting from its effective date for enterprises that were established before the promulgation date of the new tax law and entitled to a preferential lower tax rate under the then effective tax laws or regulations. On December 26, 2007, the State Council issued Circular 39. Based on Circular 39, enterprises that enjoyed a preferential tax rate of 15% in accordance with previous laws, regulations and other documents with the same effect as administrative regulations are eligible for a graduated rate increase to 25% over the 5-year period beginning January 1, 2008. For those enterprises that currently enjoy tax holidays, such tax holidays will continue until their expiration in accordance with previous tax laws, regulations and relevant regulatory documents. While the new tax law equalizes the tax rates for foreign-invested enterprises and domestic companies, preferential tax treatment may be given to companies in certain encouraged sectors and to those classified as advance technology companies enjoying special support from the state. Entities that qualify as HNTE under the new tax law are entitled to a preferential income tax rate of 15%. However, the new recognition criteria and procedures for HNTE under the new tax law were not issued until April 14, 2008. Circular 39 also provides that a company which may be concurrently eligible for both preferential treatment to be granted during the transition period and the tax incentives as provided in EIT Law and its implementing rules shall elect the most preferential but only one tax treatment which shall not be changed since making the election.

Jiachenhong's renewed High and New Technology Enterprise ("HNTE") certificate was dated October 30, 2014 and was approved by the relevant PRC tax authority on January 2015. Such status was valid retroactively as of January 1, 2014 and expired on December 31, 2016. As a result, Jiachenhong was subject to a reduced tax rate of 15% during such period. Jiachenhong's HNTE status was redetermined by the relevant PRC tax authority in February 2018 and the renewed HNTE certificate was dated October 25, 2017 with a validity of 3 years. Such status is valid retroactively as of January 1, 2017 and will expire on December 31, 2019, and Jiachenhong is subject to a reduced tax rate of 15% during such period.

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Nuoya's HNTE certificate was dated October 16, 2013 and was approved by the relevant PRC tax authority on April 2014. Such status was valid retroactively as of January 1, 2013 and expired on December 31, 2015. As a result, Nuoya was subject to a reduced tax rate of 15% during such period. Nuoya's HNTE status was redetermined by the relevant PRC tax authority in March 2017 and the renewed HNTE certificate was dated November 30, 2016 with a validity of 3 years. Such status is valid retroactively as of January 1, 2016 and will expire on December 31, 2018, and Nuoya is subject to a reduced tax rate of 15% during such period.

Lukou's HNTE certificate was dated September 17, 2015 and was approved by the relevant PRC tax authority in January 2016. Such status was valid retroactively as of January 1, 2015 and expired on December 31, 2017. As a result, Lukou was subject to a reduced tax rate of 15% during such period. Lukou is in the process of reapplication for its HNTE status.

In accordance with the Notice of Revision and Promulgation of the Guidelines for Determination and Administration of High-tech Enterprises (the "Guidelines"), which was jointly promulgated by the Ministry of Science and Technology, the MOF and the SAT on June 22, 2016 and replaced the Notice of Promulgation of the Guidelines for Determination and Administration of High-tech Enterprises, promulgated on July 8, 2008, enterprises that were classified as high-tech enterprises prior to the end of 2016 in accordance with previous Guidelines will have their qualifications remain valid if such qualifications have not expired. For high-tech enterprises that were granted tax exemption and reduction treatment for a certain period by relevant tax law under previous Guidelines and whose tax holiday has not expired, Circular 39 shall continue to apply. See "Key Information — Risk Factors — Risks Relating to Operations in China — The discontinuation of any preferential tax treatment currently available to us and the increase in the enterprise income tax in the PRC could in each case result in a decrease in our profits and materially and adversely affect our results of operations.", and Note 17 to our annual consolidated financial statements included elsewhere in this report.

The new tax law and the implementation rules also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax under Notice on Certain Preferential Corporate Income Tax Policies, Caishui (2008) No. 1, issued jointly by the MOF and the SAT on February 22, 2008. During the year ended March 31, 2017, a reversal of provision for income taxes of RMB14.3 million was made due to the change in future reinvestment plan as all undistributed earnings of the Company's PRC subsidiaries are intended to be reinvested indefinitely in the PRC in the foreseeable future. No PRC withholding tax provision was made for the year ended March 31, 2018 as there was no change on the Company's reinvestment plan.

Our Financial Condition and Results of Operations

Critical Accounting Policies

In preparing the financial statements, we are required to make judgments in the form of estimates and assumptions concerning future events. They affect reported amounts of our assets, liabilities, revenues, income and expenses. We continually evaluate these judgments based on our experience, knowledge and assessment of current business and other factors. After having considered available information and assumptions believed to be reasonable, our expectations regarding the future form the basis for judgments about matters not readily apparent from other sources. Since use of estimates and assumptions is an integral component of financial reporting, the actual results could differ if a different set of estimates and assumptions was used for making judgments.

Critical accounting policies are policies that require the application of the most challenging, subjective, or complex judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain, thereby creating a significant risk that a material adjustment may need to be made in subsequent periods to the carrying amounts of assets and liabilities involved.

We believe the following accounting policies involve critical judgments of our management:

Revenue Recognition

We generate substantially all of our revenues in form of processing fees and storage fees from our subscribers. The processing fee consists of payment for the services of transporting, testing and processing cord blood units collected from the newborns of our subscribers at collaborating hospitals upon childbirth. The storage fees represent consideration for preservation of cord blood units at our facilities, typically for a period of 18 years absent early termination by our subscribers for any reason. The subscription contract is a multiple-element arrangement, which includes (i) the processing of cord blood unit; and (ii) the storage of cord blood unit. The Group accounts for the arrangement under the Accounting Standards Codification ("ASC") 605-25, Revenue Recognition — Multiple-Element Arrangements. In accordance with ASC 605-25, revenue arrangements that include multiple elements are analyzed to determine whether the deliverables can be divided into separate units of accounting or treated as a single unit of accounting. The consideration received is allocated among the separate units of accounting based on their relative selling prices determined based on prices of these elements as sold on a stand-alone basis, and the applicable revenue recognition criteria are applied to each of the separate units. In an arrangement with multiple deliverables, the delivered product or service shall be considered a separate unit of accounting when the following criteria are met: (1) the delivered item or items have value to the customer on a standalone basis; and (2) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item or items is considered probable and substantially in the control of the Group. Based on evaluation of the criteria, the Group has determined that the cord blood processing services and storage services are to be accounted for as separate units.

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Pursuant to the subscription contract, no penalty is charged to customers for early termination of the storage service.

The Group considers all reasonably available information to allocate the overall arrangement fee to processing and storage services based on their relative selling prices.

The Group recognizes processing fee revenue upon successful completion of processing services and when the cord blood unit meets all the required attributes for storage, and recognizes the storage fee revenues ratably over the annual storage period.

Subscribers may elect to pay the processing fee in full at the time of subscription, or a portion of that in installments, subject to a surcharge. The surcharge is recognized as interest income using the effective interest method. Under the subscription contract, the Group is contractually entitled to receive the processing fee from the subscriber once the testing and processing of the cord blood unit are completed. We will have the contractual right to collect, and the subscriber will have the contractual obligation to pay, the processing fee in full immediately in the case of early termination. The ability of the subscriber to early terminate the subscription service without penalty will not impair our contractual right to collect the said processing fee or any remaining unpaid processing fee once the processing service is completed. In addition, payment option (3) has been in place for several years and has a satisfactory collection history. We believe collectability is reasonably assured, however, we continue to assess our ability to collect processing fees under payment option (3). In the event that there is a deterioration in our collection of processing fees under payment option (3), we may conclude that collectability of processing fees under this payment option is no longer reasonably assured, in which case we will cease the recognition of processing fees revenue upon completion of processing services. Revenue generated from processing services will instead be recognized upon the actual cash collection or when collectability of such fees is otherwise determined to be reasonably assured.

With respect to matching units donated by the public and delivered to the hospitals for patients who are in need of transplants or for research purposes, we recognize revenues when the cord blood unit is delivered and the risk of loss is transferred to the recipient. For further details regarding our revenue recognition, see Note 2(k) to our annual consolidated financial statements included elsewhere in this report.

Depreciation Charges

We depreciate the cost of fixed assets less their estimate of residual value on a straight-line basis over their estimated useful life. We estimate the useful lives of our buildings to be 37.5 to 50 years, leasehold improvements to be the shorter of the lease term or estimated useful life of 10 years, machineries to be 5 to 10 years and our motor vehicles and other office equipment to be 3 to 5 years. We determine the estimated useful life of our assets based on the historical usage experience with similar assets and anticipated technology changes. Changes in the expected usage level, technological developments and the operation environment in the industry could impact the economic useful lives and the residual values of our assets. If the operation environment is to change more rapidly or in a different way than anticipated, the useful life assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods. We review the estimated useful life and estimated residual values of the assets no less frequently than annually. For further details regarding our depreciation policy, see Note 2(h) to our annual consolidated financial statements included elsewhere in this report.

Valuation of Inventories

A significant portion of our inventories consists of the handling costs attributable to the testing, processing and preservation of donated cord blood units. The handling costs include direct material costs and direct labor costs incurred in its handling of donated cord blood units. Cost of inventories also comprises an allocation of production overheads. Donated cord blood units are valued at the lower of cost or net realizable value using the weighted average cost method. Since we do not expect to recognize revenue from such inventories within 12 months from the balance sheet date, we classify donated cord blood units as non-current assets on our consolidated balance sheets. The carrying value of our donated cord blood units was RMB71.8 million (\$11.4 million) as of March 31, 2018. Management periodically reviews our portfolio of donated cord blood units to determine if a write-down on inventories is necessary based on estimated demand for our matching services and other industry knowledge. If demand for our matching services is significantly different from the management's expectations, the valuation of donated cord blood units could be materially impacted.

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With respect to the cost of matching units donated by the public and delivered to the hospitals for patients who are in need of transplants or for research purposes, we recognize the revenue for one matched cord blood unit upon shipment of the unit and recognize the direct costs equal to the carrying amount of the inventory divided by the estimated future number of successful matches which would become realized through sales during the estimated weighted average remaining useful life of the inventory. As of March 31, 2018, the weighted average remaining useful life of the donated cord blood units was estimated to be approximately 18 years. Based on the historical increase in the number of cord blood matching inquiries and the number of successful matches of donated units, we estimated the number of successful matches of donated units will increase by 7% per annum. There were no material changes to our estimates and assumptions underlying our methodology for the three-year period ended March 31, 2018. The reported gross profit (gross margin) from our matching revenue were RMB3.8 million (69%), RMB4.1 million (70%) and RMB6.4 (77%) for the years ended March 31, 2016, 2017 and 2018, respectively. However, any of the above estimates which differ from our expectations may result in material adjustments to direct costs. Assuming all other variables remained constant, a 1% increase/(decrease) in annual growth rate as of March 31, 2018 would have increased/(decreased) gross profit by RMB193,000 and RMB218,000, respectively. Assuming all other variable remained constant, an increase/(decrease) in estimated weighted average remaining useful life of cord blood units by one year as of March 31, 2018 would have increased/(decreased) gross profit by RMB171,000 and (RMB194,000) respectively.

Although we will continue to provide donated cord blood units to the hospitals for patients who are in need of transplants as part of our business to satisfy regulatory requirements for the cord blood banking industry in China and to demonstrate our commitment to community healthcare, we do not believe revenues generated from provision of donated cord blood units to the hospitals for patients who are in need of transplants will become our main revenue driver in the long run. For further details regarding our inventories, see Note 4 to our consolidated financial statements included elsewhere in this report.

Allowance for Doubtful Receivables

A significant portion of our subscribers choose to pay their storage fees annually. In addition, some subscribers elect to pay their initial processing fee in annual installments. We analyze the adequacy of allowance for doubtful receivables quarterly by taking into account historical collection data and the aging of the outstanding amounts. A reserve is then established by applying the appropriate percentage (based on historical collection experience) to the balances of each aging category. We review the reserve percentages on a regular basis and compare them against the updated actual collection experience to ensure that an adequate allowance has been made.

In addition to the reserves established based on the aging of the outstanding amounts, we take into account available specific information of individual subscribers, including the specific credit risk for specific subscribers and other information available to us concerning the subscribers' credit worthiness, to determine if additional provision has to be made on specific receivable balances.

Allowance for doubtful receivables was RMB127.9 million (\$20.4 million) as of March 31, 2018, compared to RMB117.6 million as of March 31, 2017. We believe that the allowance is adequate. It is possible, however, that the accuracy of the management's estimation process could be impacted by unforeseen circumstances. See Note 2(f) to our annual consolidated financial statements included elsewhere in this report.

Impairment of Long-lived Assets

Long-lived assets such as property, plant and equipment and finite lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying amount exceeds its fair value. We have not recognized any impairment of long-lived assets during the years ended March 31, 2016, 2017 or 2018. The net carrying value of our property, plant and equipment was RMB553.0 million (\$88.2 million) as of March 31, 2018, compared to RMB551.4 million as of March 31, 2017. The net carrying value of intangible assets was RMB102.1 million (\$16.3 million) as of March 31, 2018, compared to RMB106.7 million as of March 31, 2017. See "Operating and Financial Review and Prospects — Factors Affecting Our Financial Condition and Results of Operations — Application for Cord Blood Banking Licenses" and Notes 6 and 8 to our annual consolidated financial statements included elsewhere in this report.

Impairment of Available-for-sale Securities

Our investments in LFC and Cordlife Singapore were classified as available-for-sale equity securities and stated at fair value, with unrealized gains and losses normally recognized in other comprehensive income or loss. However, when the fair value of our available-for-sale equity securities falls below cost, we determine whether the decline in value is other than temporary, in which case the unrealized loss has to be charged to income. In assessing whether the impairment is other than temporary, we consider the length of time and the extent to which the market value has been below cost, our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, and the investee's financial conditions, operational performance, future earnings potential, prospects, market conditions and near-term development.

During the six months ended September 30, 2015 and nine months ended December 31, 2016, we recorded impairment loss of RMB8.4 million and RMB2.5 million, respectively, on our investment in LFC. Having considered the extent of the decline in the fair value of the ordinary shares of LFC, the length of time during which the market value of the shares had been below cost, and the financial condition and near-term prospects of LFC, our management considered that the decline in value on the investment in LFC up to September 30, 2015 and December 31, 2016 was other-than-temporary. As a result, impairment loss of RMB8.4 million and RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, during the years ended March 31, 2016 and 2017, respectively, and the market value as of December 31, 2016 formed a new cost basis of our investment in LFC. The investment in LFC was disposed of in February 2018 and the unrealized holding losses was recognized in earnings, which was transferred from other comprehensive income, during the year ended March 31, 2018.

As of March 31, 2018, there were total unrealized net holding gains of RMB62.6 million (\$10.0 million) recorded in Cordlife Singapore. See Note 9 to our annual consolidated financial statements included elsewhere in this report.

Valuation and Amortization of Intangible Assets

We acquired the right to operate a cord blood bank in Guangdong in May 2007 through our acquisition of Nuoya. We allocate the cost of the acquisition to the assets acquired and liabilities assumed based on their estimated fair value on the date of acquisition. As part of the purchase price allocation, we are required to determine the fair value of the operating right acquired. We estimated the fair value of the operating right based on an income approach. Under this approach, fair value of an asset is determined based on the present value of projected future net cash flows associated with the use of the asset. The determination of the fair value of the intangible asset acquired using an income approach involves certain judgments and estimates. The major estimates and assumptions include, but are not limited to, the cash flows that an asset is expected to generate in the future, which in turn is based on assumptions on the growth rate of revenues from the cord blood bank and margins derived from such revenues, and the discount rate selected to measure the risks inherent in such cash flows.

In September 2010, we entered into agreements to obtain the right to operate a cord blood bank in Zhejiang. Such rights are stated at the estimated fair value on the date of acquisition less accumulated amortization. Where payment for an operating right is non-deductible for tax purpose, the simultaneous acquisition method is used to record the assigned value of the asset and the related deferred tax liability, such that the carrying amount of the asset upon initial recognition less deferred tax liability recognized equals the amount paid for the asset.

The amortization expenses are recognized on a straight-line basis over an estimated economic useful life of 30 years. We determined that a thirty-year period to amortize the cord blood bank operating rights was appropriate, following the pattern in which the expected benefits of the acquired asset will be consumed or otherwise used up. The Company's renewal period with the provincial governmental authorities generally is for a period of three years. The Company believes that it has historical experience in renewing or extending similar cord blood bank operating rights. There are no other legal or regulatory provisions that limit the useful life of the cord blood bank operating rights or that cause the cash flows and useful life of such cord blood bank operating rights to be constrained. In addition, the Company expects the effect of obsolescence, demand, competition, and other economic factors to be minimal. We engaged an independent third-party valuation firm in determining the fair value of the cord blood bank operating rights during the acquisitions. The fair value of the cord blood bank operating rights was determined using an income approach and considered assumptions (including turnover rate) that a market participant would make consistent with the highest and best use of the asset by market participants. The period of expected cash flows used to measure the fair value of the cord blood bank operating rights was thirty years. Without evidence to the contrary, we expect that the cord blood bank operating rights will be renewed or extended at the same rate as a market participant would expect, and no other factors would indicate a different useful life is more appropriate. Accordingly, in the absence of other entity-specific factors, the useful life of the cord blood bank operating rights was determined to be thirty years. For the years ended March 31, 2016, 2017 and 2018, the amortization expense relating to the right to operate in Guangdong amounted to RMB1.0 million, RMB1.0 million and RMB1.0 million (\$0.2 million), respectively. For the years ended March 31, 2016, 2017 and 2018, the amortization expense relating to the right to operate in Zhejiang amounted to RMB3.7 million, RMB3.7 million and RMB3.7 million (\$0.5 million), respectively.

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Due to the uncertainties associated with operating in the cord blood banking industry in China, the economic useful life may be subject to change. If we are required to shorten our estimated economic useful life of the rights to operate in Guangdong and Zhejiang, our cost will increase. Profitability may be adversely affected. Further, there is no assurance that we will be able to recover the carrying amount of the rights to operate in Guangdong and Zhejiang from its operating activities in the future. Despite the uncertainties resulting from the Catalogue revised in 2007, 2011, 2015, 2017 and 2018, our assessment of the estimated economic useful life of the cord blood bank operating rights as of and for the year ended March 31, 2018 did not result in a change for the following reasons:

- Under the Scientific Research, Technology Service and Geological Exploration section of the Catalogue revised in 2007, 2011, 2015, 2017 and 2018, foreign enterprises are prohibited from engaging in stem cell and gene diagnosis and treatment technology development and application. Since the Catalogue revised in 2007, 2011, 2015, 2017 and 2018 did not clearly define the scope of such prohibited business, it is uncertain whether it prohibits “diagnosis and treatment technology development and application” of stem cells only (a narrower interpretation and one not implicating our operations) or all stem-cell-related technology development and application. Although there is an uncertainty, we, after consultation with our PRC counsel, have no immediate evidence which leads to the conclusion that the services provided by our cord blood banks violate the Catalogue revised in 2007, 2011, 2015, 2017 and 2018.
- We have communicated and consulted with the MOH and DOH regarding the legality of cord blood banking services provided by our cord blood banks subsequent to the effectiveness of the Catalogue revised in 2007, 2011, 2015 and 2017. So far, neither the Company nor our cord blood banks has received any negative comment, query, notice of prohibition, notice of termination of the service, administration sanction or penalty due to the cord blood banking service deemed as non-compliance with the relevant PRC laws and regulations or violation of the terms set forth in the blood station licenses. Moreover, all the annual inspections, payments of the paid-in capital and change of the legal representative of our PRC subsidiaries, after the Catalogue revised in 2007, 2011, 2015 and 2017 became effective, have been legally approved, registered and filed with authorized Industry and Commerce Administration Bureau. Also, our Beijing Cord Blood Bank, Guangdong Cord Blood Bank and Zhejiang Cord Blood Bank obtained the renewed cord blood banking license in April 2016, May 2018 and September 2016 from the LHFPCs of the Beijing municipality, the Guangdong and Zhejiang provinces respectively after the Catalogue revised in 2007, 2011, 2015 and 2017 was already effective. None of Jiachenhong, the Beijing Cord Blood Bank operated by Jiachenhong, Nuoya, the Guangdong Cord Blood Bank operated by Nuoya, or Lukou, the Zhejiang Cord Blood Bank operated by Lukou, encountered any major obstacle, hurdle or query during the renewal process of the cord blood banking license or business license.

Accordingly, based on the foregoing, we believe that the useful life of the intangible assets associated with our cord blood bank operating rights continues to be thirty years as of March 31, 2017 and 2018. See Note 8 to our annual consolidated financial statements included elsewhere in this report.

Principal Components of Our Income Statement

Revenues

We have two types of customers: subscribers, who pay processing and storage fees pursuant to the terms of their subscription contracts as consideration for our subscription services, and transplant patients, who pay matching fees via hospitals as consideration for our delivery of donated cord blood units for their operations

The sources of our revenues consist of the following:

- **Processing fee.** Gross processing fee is charged at the rate of RMB5,000 prior to April 1, 2011 and RMB5,800 effective from April 1, 2011. Since April 1, 2013 in Guangdong and Zhejiang and May 1, 2013 in Beijing, gross processing fee of RMB6,800 is charged. Gross processing fee includes a 5% business tax and since September 1, 2012 in Beijing, November 1, 2012 in Guangdong and December 1, 2012 in Zhejiang, all fees are inclusive of a 6% value-added tax instead of the 5% business tax. Processing fee represents the allocated consideration for the transportation, testing and processing of subscribers’ cord blood units. We recognize the processing fees as our revenue on a net of business tax or value-added tax basis. Some of our subscribers elect to pay the processing fee in full at the time of subscription. Some subscribers elect to pay, subject to a surcharge (inclusive of a 5% business tax or 6% value-added tax), a portion of the processing fee in installments.

- **Storage fee.** Gross storage fee (inclusive of a 5% business tax or 6% value-added tax) represents the allocated consideration for the storage of cord blood units at our facilities pursuant to subscription contracts. Gross storage fee for subscription before April 1, 2013 in Guangdong and Zhejiang, and May 1, 2013 in Beijing is charged at the rate of approximately RMB500 per year. A subscriber who subscribed after April 1, 2013 in Guangdong and Zhejiang, and May 1, 2013 in Beijing is charged at the rate of approximately RMB860 per year. Starting from January 1, 2014, a subscriber in Beijing who signed up prior to May 1, 2013 and elected payment option (1) or (3) is obligated to pay a revised gross storage fee of RMB535 per year. All gross storage fees include 5% business tax or a 6% value-added tax. We recognize the storage fees as our revenue on a net of business tax or value-added tax basis. Prior to January 1, 2008, some subscribers elected to prepay the storage fees for the entire contract period upfront at the time of subscription and receive a discount of 20% on the total storage fees payable under the contract. Should the subscriber subsequently terminate the contract prior to the expiration of 18 years, the amount of storage fees prepaid, less storage fees of approximately RMB500 per year for the actual storage period, were refunded to the subscriber. For each such subscription, the storage fee for the first year's storage services was recognized as revenue on a straight-line basis over the one-year period, which is committed and paid by the subscriber at the inception of the contract, and the remaining prepaid storage fees were recognized as deferred income in the consolidated balance sheets, which would be recognized as revenues on a straight-line basis over the remaining storage period.
- **Matching fee.** Gross matching fee, is currently charged generally at the rate of RMB15,000 (inclusive of a 5% business tax or 6% value-added tax), represents consideration for the successful identification and retrieval of a matching cord blood unit suitable for transplant. We record the matching fee as our revenue on a net of business tax or value-added tax basis. We recognize the matching fee when the cord blood unit is delivered and the risk of loss is transferred to the recipient.

Direct Costs

After a cord blood unit is collected at a collaborating hospital and transported to our facilities, we test and process the cord blood to extract stem cells contained in the unit and cryopreserves the stem cells at our cord blood banks. Direct costs reflect the costs incurred for these procedures as well as payments made to the hospitals to reimburse the costs they incur in performing the collection procedure for our subscribers.

Direct costs also include an annual technical consulting fee of RMB3.0 million (\$0.5 million) (RMB2.6 million (\$0.4 million) prior to September 2017) payable by us to PEKU pursuant to a 4-year contract commencing September 2017 for the hospital's technology and procedural guidance to support our delivery of cord blood services. Nuoya also entered into a co-operation agreement with the GWCH. Pursuant to the agreement, GWCH provides us with technical consultancy services in return for an annual advisory fee of an aggregate amount of RMB3.2 million (\$0.5 million). The agreement has a term of no less than 20 years commencing in November 2009. Lukou also entered into a co-operation agreement with Zhejiang Provincial Blood Center in relation to the operation of cord blood bank in Zhejiang with advisory fee for providing technical consultancy services.

Direct costs also include the costs of storing cord blood units under our subscription contracts and cord blood units donated by the public for transplants or for research purposes. A significant portion of our direct costs are attributable to depreciation of property, plant and equipment, direct labor (including share-based compensation) and, to a lesser extent, amortization of intangible assets, consultancy fees, rent and utilities and the cost of liquid nitrogen. The remaining portion of our direct costs, including costs of collection materials, processing and storage supplies, and collection fee, generally vary depending on the number of units processed at facilities. During the year ended March 31, 2017, a one-off consideration of RMB16.8 million from consultation service related to the usage of cord blood processing devices and consumables was recorded as a reduction of direct costs since the associated cord blood processing devices and consumables were consumed and included in direct costs.

We record cord blood units donated by the public as our inventories and capitalize our related collection, testing and processing costs. These capitalized costs are recognized as direct costs of a unit only when revenue is recognized upon the shipment of the unit for use by the transplant patient or for research purposes.

Operating Expenses

Operating expenses consist of selling and marketing expenses, general and administrative expenses, and research and development expenses.

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- **Research and development expenses.** Research and development expenses consist primarily of expenses incurred in research and development activities that are conducted to enhance operating efficiencies, collection and storage technologies, and measures to improve the results in umbilical cord blood stem cells extraction and separation. Research and development expense are expensed immediately as they are incurred.
- **Selling and marketing expenses.** Selling and marketing expenses consist primarily of compensation (including share-based compensation) for sales and marketing personnel; promotional and advertising expenses; travel expenses for sales and marketing activities and depreciation of equipment used for sales and marketing activities.
- **General and administrative expenses.** General and administrative expenses consist primarily of compensation (including share-based compensation) for the management team and the finance and administrative personnel; travel, lease and other expenses for general corporate purposes; professional advisor fees and depreciation of equipment used for general and administrative activities.

Results of Operations

The following table summarizes our results of operations for the years indicated:

	For the year ended March 31,						
	2018		2017		2016		
	\$	RMB	%	RMB	%	RMB	%
	(in thousands except for percentage)						
Revenues	149,343	936,768	100.0	759,978	100.0	662,999	100.0
Direct costs	(28,933)	(181,483)	(19.4)	(142,640)	(18.8)	(144,598)	(21.8)
Gross profit	120,410	755,285	80.6	617,338	81.2	518,401	78.2
Operating (expenses)/income, net							
Research and development	(2,028)	(12,718)	(1.4)	(10,367)	(1.4)	(8,964)	(1.4)
Sales and marketing	(34,945)	(219,202)	(23.4)	(178,482)	(23.5)	(148,155)	(22.3)
General and administrative	(38,819)	(243,502)	(26.0)	(189,940)	(25.0)	(169,952)	(25.6)
Other operating income	—	—	—	26,316	3.5	—	—
Total operating expenses, net	(75,792)	(475,422)	(50.8)	(352,473)	(46.4)	(327,071)	(49.3)
Operating income	44,618	279,863	29.9	264,865	34.8	191,330	28.9
Other income/(expenses), net							
Interest income	3,497	21,936	2.3	17,416	2.3	18,218	2.7
Interest expense	(519)	(3,257)	(0.3)	(119,418)	(15.7)	(107,967)	(16.3)
Foreign currency exchange gains/losses	21	133	0.0	(38)	(0.0)	(972)	(0.1)
Dividend income	101	634	0.1	45	0.0	49,198	7.4
Impairment loss on available-for-sale equity securities	—	—	—	(2,533)	(0.3)	(8,361)	(1.3)
Others	673	4,226	0.5	5,974	0.8	(113)	(0.0)
Total other income/(expenses), net	3,773	23,672	2.5	(98,554)	(12.9)	(49,997)	(7.6)
Income before income tax	48,391	303,535	32.4	166,311	21.9	141,333	21.3
Income tax expense	(9,989)	(62,656)	(6.7)	(37,622)	(4.9)	(50,000)	(7.5)
Net income	38,402	240,879	25.7	128,689	17.0	91,333	13.8

Year Ended March 31, 2018 Compared to Year Ended March 31, 2017

Revenues

Revenues increased by 23.3% to RMB936.8 million (\$149.3 million) for the year ended March 31, 2018 from RMB760.0 million for the year ended March 31, 2017. During the year ended March 31, 2018, processing fee and other revenues increased 27.0% to RMB611.6 million (\$97.5 million) and storage fee revenues increased 16.9% to RMB325.2 million (\$51.8 million). The increase in revenues was mainly contributed by the increased new subscriber sign-ups recorded during the year ended March 31, 2018. For the year ended March 31, 2018, 91,789 new subscribers were recruited, compared to 74,952 in the year ended March 31, 2017. Taking into account the reclassification of 5,211 private cord blood units as donated cord blood units after the Company determined that the recoverability of these prior private cord blood banking subscribers was low, total units deposited by our subscribers increased to 661,618 as of March 31, 2018, compared to 575,040 as of March 31, 2017. There was no other material early termination recorded for the years ended March 31, 2017 and 2018.

For the year ended March 31, 2018, processing fee and other revenues and storage fee revenues accounted for approximately 65.3% and 34.7% of total revenues respectively, compared to the revenue structure for the year ended March 31, 2017 in which processing fee and other revenues and storage fee revenues accounted for 63.4% and 36.6% of total revenues, respectively.

Direct Costs

Direct costs increased to RMB181.5 million (\$28.9 million) for the year ended March 31, 2018 from RMB142.6 million in the year ended March 31, 2017. The increases in direct costs were mainly resulted from the increased raw materials costs and direct labour on the back of rising volume. For the year ended March 31, 2017, the Company received RMB16.8 million of consideration for rendering a consultation service and such consideration was recorded as a reduction of direct costs. No such consideration was recorded in the year ended March 31, 2018.

For the year ended March 31, 2018, variable costs and fixed costs accounted for approximately 70.1% and 29.9% of total direct costs, respectively. Expenses including depreciation and amortization expenses, rental expenses and consultation related expenses are fixed costs. Direct labor, direct materials, processing and other collection related expenses are variable costs.

Gross Profit

For the year ended March 31, 2018, gross profit amounted to RMB755.3 million (\$120.4 million), up 22.3% from RMB617.3 million for the year ended March 31, 2017. Gross margin for the year ended March 31, 2018 was 80.6%, compared to 81.2% in the year ended March 31, 2017 as the Company recorded a RMB16.8 million consideration for rendering a consultation service which was recorded as a reduction of direct costs in the year ended March 31, 2017. No such consideration was recorded in the year ended March 31, 2018.

Operating Expenses, Net

Total operating expenses increased to RMB475.4 million (\$75.8 million) for the year ended March 31, 2018, compared to RMB352.5 million for the year ended March 31, 2017. It was largely attributable to the increase in share-based compensation, increased marketing and promotion expenses and sales force remuneration and incentives.

- **Research and development expenses.** For the year ended March 31, 2018, we incurred research and development expenses of approximately RMB12.7 million (\$2.0 million), compared to RMB10.4 million in the year ended March 31, 2017. Research and development expenses maintained at approximately 1.4% of revenues for the years ended March 31, 2017 and 2018, reflecting the Company's continued effort on technology advancement in relation to cord blood stem cell extraction, separation and preservation.

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- **Sales and marketing expenses.** Sales and marketing expenses amounted to RMB219.2 million (\$34.9 million) for the year ended March 31, 2018, increased by 22.8% as compared to RMB178.5 million in the year ended March 31, 2017. Sales and marketing expenses rose as a result of our ongoing effort to attract new subscribers, as well as additional staff costs and performance incentives, and also in conjunction with the increase in new subscriber numbers. As a percentage of revenues, sales and marketing expenses were 23.4%, similar to that of last year. Included in sales and marketing expenses was share-based compensation expense of RMB17.4 million and a reversal of RMB1.5 million (\$0.2 million) for the years ended March 31, 2017 and 2018, respectively. Such reversal recorded in the year ended March 31, 2018 was resulted from a write back of previously recognized share-based compensation expense due to the forfeiture of RSUs on the resignation of one of the grantees, partially offset by additional expenses charged on the RSUs granted during the first quarter of fiscal 2018 and upon the vesting of RSUs during the current year.
- **General and administrative expenses.** For the year ended March 31, 2018, general and administrative expenses rose to RMB243.5 million (\$38.8 million), compared to RMB189.9 million for the year ended March 31, 2017. The increase in general and administrative expenses was largely attributable to additional expenses charged upon the vesting of RSUs during the current year.
- **Other operating income.** For the year ended March 31, 2017, the Company entered into a collaboration agreement with Golden Meditech. Utilizing the Company's existing donated cord blood samples resources, the Company provided Golden Meditech with exclusive access to certain data derived from a small portion of donated cord blood samples. In return, the Company received RMB26.3 million in cash and recorded the amount in other operating income. No such income was recorded during the year ended March 31, 2018.

Operating Income

As a result of the foregoing, operating income increased by 5.7% to RMB279.9 million (\$44.6 million) for the year ended March 31, 2018 from RMB264.9 million for the year ended March 31, 2017.

Other Income/(Expenses), Net

For the year ended March 31, 2018, the Company recorded net other income of RMB23.7 million (\$3.8 million), as compared to net other expenses of RMB98.6 million in the year ended March 31, 2017.

- **Interest Income.** Interest income amounted RMB21.9 million (\$3.5 million) in the current year, compared with RMB17.4 million in the year ended March 31, 2017.
- **Interest Expense.** Interest expense for the year ended March 31, 2018 amounted to RMB3.3 million (\$0.5 million), which was all related to convertible notes, compared to RMB119.4 million in the year ended March 31, 2017. The decrease was mainly because of the conversion of the Company's convertible notes into ordinary shares in early April 2017 and no convertible notes related interest expense was incurred thereafter.

In October 2015, we borrowed RMB60.0 million from a commercial bank in PRC for one year. The loan bore a monthly fixed interest rate at 0.46%. Pursuant to this loan agreement, we incurred interest expense of approximately RMB1.5 million in the years ended March 31, 2017. The loan was fully repaid in September 2016. As of March 31, 2017 and 2018, we did not have any bank borrowing.

- **Dividend Income.** For the year ended March 31, 2017, no dividend income was received from the Company's available-for-sale equity securities or other investment. For the year ended March 31, 2018, we recorded dividend income received from Cordlife Singapore of RMB0.6 million (\$0.1 million).
- **Impairment loss.** For the year ended March 31, 2017, we incurred impairment loss of RMB2.5 million on available-for-sale equity securities of ordinary shares held in LFC as our management considered that the decline in value on the investment in LFC was other-than-temporary. Therefore, impairment loss of RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, for the years ended March 31, 2017. No impairment loss was recorded for the year ended March 31, 2018.

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Income before Income Tax

As a result of the foregoing, income before income tax for the year ended March 31, 2018 amounted to RMB303.5 million (\$48.4 million), increased from RMB166.3 million for the year ended March 31, 2017.

Income Tax Expense

For the year ended March 31, 2018, we recorded an income tax expense of RMB62.7 million (\$10.0 million), compared to RMB37.6 million for the year ended March 31, 2017, as the Company recorded a reversal of provision for income tax of RMB14.3 million in the year ended March 31, 2017.

Net Income

Due to the reasons discussed above, our net income for the year ended March 31, 2018 amounted to RMB240.9 million (\$38.4 million), compared to RMB128.7 million for the year ended March 31, 2017.

Year Ended March 31, 2017 Compared to Year Ended March 31, 2016

Revenues

Revenues increased by 14.6% to RMB760.0 million for the year ended March 31, 2017 from RMB663.0 million for the year ended March 31, 2016. During the year ended March 31, 2017, processing fee revenues increased 14.8% to RMB481.7 million and storage fee revenues increased 14.3% to RMB278.3 million. The increase in revenues was contributed by the increased new subscriber number and the enlarged accumulated subscriber base as of the year ended March 31, 2017, which was partly attributable to a relatively low comparison base in prior year and partly benefiting from our effective marketing and promotion initiatives to deepen penetration in our operating regions. For the year ended March 31, 2017, 74,952 new subscribers were recruited, compared to 62,909 in the year ended March 31, 2016. Taking into account the reclassification of 4,180 private cord blood units as donated cord blood units after the Company determined that the recoverability of these prior private cord blood banking subscribers was low, total units deposited by our subscribers increased to 575,040 as of March 31, 2017, compared to 504,268 as of March 31, 2016. There was no other material early termination recorded for the years ended March 31, 2016 and 2017.

For the year ended March 31, 2017, processing fee and storage fee revenues accounted for approximately 63.4% and 36.6% of total revenues respectively, similar to the revenue structure for the year ended March 31, 2016 in which processing fee and storage fee revenues accounted for 63.3% and 36.7% of total revenues respectively.

Direct Costs

Direct costs decreased to RMB142.6 million for the year ended March 31, 2017 from RMB144.6 million in the year ended March 31, 2016. The increases in raw materials costs and direct labour were offset by the recognition of RMB16.8 million from a consultation service related to the usage of cord blood processing devices and consumables, which the Company purchased, were used and included in direct costs.

For the year ended March 31, 2017, variable costs and fixed costs accounted for approximately 64.5% and 35.5% of total direct costs, respectively. Expenses including depreciation and amortization expenses, rental expenses and consultation related expenses are fixed costs. Direct labor, direct materials, processing and other collection related expenses are variable costs.

Gross Profit

For the year ended March 31, 2017, gross profit amounted to RMB617.3 million, up 19.1% from RMB518.4 million for the year ended March 31, 2016. Gross margin for the year ended March 31, 2017 was 81.2%, compared to 78.2% in the year ended March 31, 2016 due to revenues growth and lower direct costs.

Operating Expenses, Net

Total operating expenses increased to RMB352.5 million for the year ended March 31, 2017, compared to RMB327.1 million for the year ended March 31, 2016.

- **Research and development expenses.** For the year ended March 31, 2017, we incurred research and development expenses of approximately RMB10.4 million, compared to RMB9.0 million in the year ended March 31, 2016. Research and development expenses maintained at approximately 1.4% of revenues for the years ended March 31, 2016 and 2017, reflecting the Company's continued effort on technology advancement in relation to cord blood stem cell preservation.

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- **Sales and marketing expenses.** Sales and marketing expenses amounted to RMB178.5 million for the year ended March 31, 2017, increased by 20.5% as compared to RMB148.2 million in the year ended March 31, 2016. As a percentage of revenues, sales and marketing expenses were 23.5%, compared to 22.3% in the year ended March 31, 2016. Included in sales and marketing expenses was share-based compensation expense of RMB16.4 million and RMB17.4 million for the years ended March 31, 2016 and 2017, respectively. Sales and marketing expenses rose as a result of our ongoing effort to attract new subscribers, as well as additional staff costs and performance incentives, and also in conjunction with the increase in new subscriber numbers.
- **General and administrative expenses.** For the year ended March 31, 2017, general and administrative expenses rose to RMB189.9 million, compared to RMB170.0 million for the year ended March 31, 2016. The increase in general and administrative expenses was largely attributable to rising staff costs as a result of increased staff count. Besides, RMB6.7 million write-off of accounts receivable was recorded in the year ended March 31, 2017 as the Company determined that the recoverability of the amounts due from 4,180 private cord blood banking subscribers was low. General and administrative expenses for the current year accounted for 25.0% as a percentage of revenues, compared with 26.6% for the prior year.
- **Other operating income.** For the year ended March 31, 2017, the Company entered into a collaboration agreement with Golden Meditech. Utilizing the Company's existing donated cord blood samples resources, the Company provided Golden Meditech with exclusive access to certain data derived from a small portion of donated cord blood samples. In return, the Company received RMB26.3 million in cash and recorded the amount in other operating income.

Operating Income

As a result of the foregoing, operating income increased by 38.4% to RMB264.9 million for the year ended March 31, 2017 from RMB191.3 million for the year ended March 31, 2016.

Other Expenses, Net

For the year ended March 31, 2017, net other expenses increased to RMB98.6 million, as compared to RMB50.0 million in the year ended March 31, 2016.

- **Interest Income.** Interest income amounted RMB17.4 million in the current year, compared with RMB18.2 million in the year ended March 31, 2016.
- **Interest Expense.** Interest expense for the year ended March 31, 2017 amounted to RMB119.4 million. Interest expense and amortization of other costs related to the issuance of convertible notes amounted to RMB117.9 million for the year ended March 31, 2017, compared to RMB104.9 million in the year ended March 31, 2016. The increase was due to the compounding interest effect of the convertible notes and the translation difference arising from the depreciation of Renminbi against U.S. dollars.

In October 2015, we borrowed RMB60.0 million from a commercial bank in PRC for one year. The loan bore a monthly fixed interest rate at 0.46%. Pursuant to this loan agreement, we incurred interest expense of approximately RMB3.1 million and RMB1.5 million in the years ended March 31, 2016 and 2017, respectively. The loan was fully repaid in September 2016. As of March 31, 2017, we did not have any bank borrowing.

- **Dividend Income.** For the year ended March 31, 2016, we recorded dividend income received from Qilu, the sole operator of the Shandong Cord Blood Bank and Cordlife Singapore in the amount of RMB31.8 million and RMB17.0 million, respectively. For the year ended March 31, 2017, no dividend income was received from the Company's available-for-sale equity securities or other investment.

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- **Impairment loss.** For the years ended March 31, 2016 and 2017, we incurred impairment loss of RMB8.4 million and RMB2.5 million, respectively, on available-for-sale equity securities of ordinary shares held in LFC. Having considered the significance of the accumulated decline in the fair market value of the ordinary shares of LFC, the period of time during which market value of the shares had been below cost and the current market conditions, our management considered that the decline in value on the investment in LFC up to September 30, 2015 and December 31, 2016 was other-than-temporary, impairment loss of RMB8.4 million and RMB2.5 million was recognized in earnings, which was transferred from other comprehensive income, for the years ended March 31, 2016 and 2017 respectively.

Income before Income Tax

As a result of the foregoing, income before income tax for the year ended March 31, 2017 amounted to RMB166.3 million, increased from RMB141.3 million for the year ended March 31, 2016.

Income Tax Expense

For the year ended March 31, 2017, we recorded an income tax expense of RMB37.6 million, compared to RMB50.0 million for the year ended March 31, 2016. During the year ended March 31, 2016, we have provided RMB5.2 million for income taxes based on the expected earnings of our PRC subsidiaries to be distributed in the foreseeable future. During the year ended March 31, 2017, a reversal of provision for income taxes of RMB14.3 million was made due to the change in management's reinvestment plan in which all undistributed earnings of our PRC subsidiaries are intended to be reinvested indefinitely in the PRC in the foreseeable future. Excluding the effects of such provision and reversal for income taxes, effective tax rate for the year ended March 31, 2017 was 31.2%, similar to 31.7% for the year ended March 31, 2016.

Net Income

Due to the reasons discussed above, our net income for the year ended March 31, 2017 amounted to RMB128.7 million, compared to RMB91.3 million for the year ended March 31, 2016.

Liquidity and Capital Resources

As of March 31, 2018, we had cash and cash equivalents of RMB4,250.6 million (\$677.6 million). We use a variety of sources, both external and internal, to finance our operations. We use equity and debt financing to fund capital expenditures and strategic investments. Our short and long-term funding sources may vary from period to period, but they have generally included a mix of equity financing and debt financing from institutional investors and banks. In October 2015, we borrowed a loan from Hangzhou Bank in the PRC for one year, commencing on October 9, 2015, to finance the purchase of raw materials. The loan was fully repaid in September 2016. As of March 31, 2017 and 2018, we do not maintain any credit facilities.

Our short-term liquidity requirements include funding of our need for working capital. We have relied principally on cash flow from operations, equity financing and debt financing for our short-term liquidity requirements. We generate our cash flow from operations primarily from collection of processing fees at the time of subscription and storage fees as long as our subscribers continue to renew their subscription contract over the 18-year period. Therefore, we enjoy a steady stream of long-term cash inflow. We expect such long-term cash flow to continue to increase as our subscriber base continues to grow. Although we have not experienced early termination by a significant number of our subscribers in the past, there is no guarantee that all of our subscribers will fulfill their contractual obligations by continuing to pay storage fees on an annual basis for a period of 18 years. If we are unable to continue to increase our new subscriber sign-ups to compensate for the loss of payment of storage fees arising from early termination by our existing subscribers, our operating cash inflows may be adversely affected.

Our long-term liquidity requirements primarily include the funding of our capital expenditure programs.

We expect that we will finance our capital expenditure requirements with a combination of future offerings of equity or debt securities, bank borrowings at different subsidiary levels, and operating cash flows. Our need for, and the availability of, external financing is influenced by many factors, including profitability, operating cash flows, debt levels, contractual restrictions and market conditions.

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Given that consumer discretionary spending or consumer behavior may change in light of the current Chinese or global economies, it may be challenging for us to sustain a growth momentum going forward. Our operations have not experienced any material deterioration in terms of number of new cord blood intake during the year ended March 31, 2018 in light of the current economic and capital market condition. However, in order to mitigate the potential impact or consequences, we will continue to explore new alternatives or more attractive payment schemes in order to strengthen our financial position in the event of any unforeseeable economic turmoil.

Cash Flows

The following table summarizes our cash flows for the years indicated:

	For the year ended March 31,			
	2018	2017		2016
	\$	RMB	RMB	RMB
		(in thousands)		
Net cash provided by operating activities	130,528	818,762	637,632	580,997
Net cash used in investing activities	(10,598)	(66,477)	(90,575)	(16,480)
Net cash used in financing activities	(321)	(2,015)	(60,000)	(1,646)
Effect of foreign currency exchange rate change on cash and cash equivalents	(1,582)	(9,924)	14,785	8,896

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by 28.4% to RMB818.8 million (\$130.5 million) during the year ended March 31, 2018, compared to RMB637.6 million during the year ended March 31, 2017. The increase was mainly attributable to the increase in new subscriber number, especially subscribers who chose payment option two who paid an upfront payment for 18-year storage fees at the time of subscription. The increase was also driven by less coupon interest payment of the convertible notes, which were fully converted in April 2017, during the current year.

Net cash provided by operating activities increased by 9.7% to RMB637.6 million during the year ended March 31, 2017, compared to RMB581.0 million during the year ended March 31, 2016. The increase was mainly attributable to the followings: (i) the increase in new subscriber number, especially subscribers who chose payment option two who paid an upfront payment for 18-year storage fees at the time of subscription; (ii) the receipt of RMB16.8 million in cash for the consultation service rendered related to the usage of cord blood processing devices and consumables; (iii) the receipt of RMB26.3 million from the public bank collaboration project in which Golden Meditech was provided with an exclusive access to certain data derived from a small portion of donated cord blood samples. The positive effect of the abovementioned factors was partially offset by the coupon interest payment of the convertible notes during the year.

Net Cash Used in Investing Activities

Net cash used in investment activities amounted to RMB66.5 million (\$10.6 million) for the year ended March 31, 2018, primarily for the purchase of property, plant and equipment.

Net cash used in investment activities amounted to RMB90.6 million for the year ended March 31, 2017, primarily for the acquisition of an available-for-sale equity security, and the purchase of property, plant and equipment.

Net cash used in investment activities amounted to RMB16.5 million for the year ended March 31, 2016, primarily for the purchase of property, plant and equipment.

Net Cash Used in Financing Activities

Net cash used in financing activities was RMB2.0 million (\$0.3 million) for the year ended March 31, 2018. The cash was used in paying dividend by Lukou to its non-controlling interest shareholders.

Net cash used in financing activities was RMB60.0 million for the year ended March 31, 2017. The cash was used in the repayment of bank loan.

Net cash used in financing activities was RMB1.6 million for the year ended March 31, 2016. The cash was used in paying dividend by Lukou to its non-controlling interest shareholders.

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Capital Expenditures

For the years ended March 31, 2016, 2017 and 2018 our capital expenditures consisted primarily of expenditures for our cord blood banks in Beijing, Guangdong and Zhejiang, regions in which we are operating the licensed cord blood banks. In connection therewith, we have acquired property, plant and equipment.

We are also in discussion for potential acquisitions or collaboration. Some of these discussions are ongoing, and we have not reached an agreement or executed any binding or non-binding written agreements with respect to the terms and conditions of any potential acquisition with any of its potential targets. As cash requirements relating to potential acquisitions may vary significantly depending on the targets we may acquire, our future capital expenditures may differ significantly from our current plans.

Contractual Obligations and Commercial Commitments

The table below presents annual payments due by year for our contractual obligations and commercial commitments as of March 31, 2018.

Contractual Obligation

	<u>Less than 1 year RMB</u>	<u>1-3 Years RMB</u>	<u>3-5 Years RMB</u> (in thousands)	<u>More than 5 years RMB</u>	<u>Total RMB</u>
Commercial commitments	6,200	12,400	7,650	21,067	47,317
Research and development	2,000	—	—	—	2,000
Operating lease obligations	1,315	26	—	—	1,341
Long-term debt obligations	—	61,853	58,048	240,837	360,738
	<u>9,515</u>	<u>74,279</u>	<u>65,698</u>	<u>261,904</u>	<u>411,396</u>

- **Commercial commitments.** The commercial commitments primarily relate to the fees payable to PEKU and GWCH pursuant to co-operation agreements for their consultancy services in relation to the operation of cord blood banks at a fixed annual amount of RMB3.0 million (\$0.5 million) for a term of four years and a fixed annual amount of RMB3.2 million (\$0.5 million) for a term of twenty years, respectively.
- **Research and development.** We entered into an agreement with a research institution for the research and development of medical treatments that make use of cord blood stem cells. We are obligated to pay RMB2.0 million (\$0.3 million).
- **Operating leases.** The operating lease obligations relate to the lease agreements for leasing certain premises in the Zhejiang province.
- **Long-term debt obligations.** The Group has an agreement with an insurance company under which the Group collects insurance premiums on behalf of the insurance company from customers who store umbilical cord blood in the Group's cord blood bank and are enrolled in the insurance scheme of the insurance company. Thus, the amount of gross storage fees includes insurance premiums collected on behalf of the insurance company. The amount attributable to the insurance premiums is included in current and non-current (collected and payable over one year) other payables and is not recognized as revenue. Long-term debt obligations represent the amount payable over one year. The Group has no performance obligation to the customer with respect to the insurance policy.

Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Inflation

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the consumer price indexes in China were 101.4, 102.0 and 101.6 in 2015, 2016 and 2017, respectively.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”) to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This guidance was effective for annual reporting and interim periods beginning after December 15, 2016 with early adoption not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”), which amends ASU 2014-09 and defers its effective date to fiscal years and interim reporting periods beginning after December 15, 2017. ASU 2015-14 permits earlier application only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption (modified retrospective method). The Company plans to apply the modified retrospective method to those contracts that are not completed contracts on April 1, 2018 upon the adoption of ASU 2014-09. The Company expects that there will be no impact on the retained earnings as of April 1, 2018 and no material impact on its consolidated financial statements and related disclosures as a result of the new adoption of this guidance.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which amends certain aspects of recognition, measurement, presentation and disclosure of financial statements. ASU 2016-01 requires all equity investments to be measured at fair value with changes in fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investees). ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. To further clarify ASU 2016-01, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2018-03”), in February 2018. ASU 2018-03 requires application of a prospective transition approach only for those equity investments for which the new measurement alternative is being applied. Additionally, if an entity voluntarily discontinues using the measurement alternative, the investment and all identical or similar investments of the same issuer must be measured at fair value. Public business entities with fiscal years beginning between December 15, 2017, and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018. Early adoption is permitted. For the available-for-sale securities that are accounted for under the fair value method, the adoption of these amendments should be by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company anticipates that the adoption of this amendment will increase certain level of volatility of its other income/expense, net, as a result of the remeasurement of its equity securities.

In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. ASU 2016-02 also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. ASU 2016-02 is effective for publicly-traded companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326) (“ASU 2016-13”), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. ASU 2017-01 should be applied prospectively on or after the effective date. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Our current directors and executive officers are:

Name	Age	Position
Ting Zheng ⁽¹⁾	46	Chief Executive Officer, Chairperson and Chief Executive Officer — Beijing Division
Albert Chen	42	Chief Financial Officer and Director
Ping Xu ⁽⁵⁾	39	Non-executive Director
Mark D. Chen ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	50	Independent Non-executive Director
Dr. Ken Lu ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	54	Independent Non-executive Director
Jennifer J. Weng ⁽²⁾⁽³⁾⁽⁴⁾	50	Independent Non-executive Director
Rui Arashiyama	59	Chief Executive Officer — Guangdong and Zhejiang Divisions
Xin Xu	64	Chief Technology Officer

⁽¹⁾ Members of Nominating and Corporate Governance Committee

⁽²⁾ Members of Compensation Committee

⁽³⁾ Members of Audit Committee

⁽⁴⁾ Members of Special Committee

⁽⁵⁾ Appointed with effect from January 31, 2018

Ting Zheng, serves as our chief executive officer, chairperson of the Board and chairperson of the Nominating and Corporate Governance Committee. She has been in charge of our cord blood bank operations since 2003 and is responsible for the strategic direction, development and overall management of GCBC. Aside from overseeing the overall operation of GCBC, she is also responsible for strategic developments, acquisition planning and negotiations, and formulating overall business strategy and various business initiatives of GCBC. She has more than ten years of experience in the fields of accounting, internal control, and corporate strategies and development in China’s healthcare industry. Ms. Zheng had served as an executive director of Golden Meditech and had been in charge of its and its subsidiaries’ financial and internal control systems since September 2001. She assumed a critical role in the initial public offering by Golden Meditech on the Growth Enterprise Market of the Hong Kong Stock Exchange in December 2001. Ms. Zheng became a non-executive director of Golden Meditech starting from August 2012. She played an important role in our acquisition of Nuoya and investments in Cordlife. Prior to joining us, Ms. Zheng worked for Sino-reality Certified Public Accountants, an accounting firm in China, from 1997 to 2001. She received an Executive MBA degree from Renmin University of China. With effect from April 1, 2017, Ms. Zheng also serves as the interim chief executive officer of the Beijing division.

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Albert Chen, serves as our chief financial officer and a director. He is in charge of GCBC's finance-related matters, including accounting and budget planning. He is also involved in GCBC's corporate structuring and development, including mergers and acquisitions, and investment in foreign healthcare companies. For example, he played an important role in our acquisition of Nuoya and investments in Cordlife. He had served as the corporate finance vice president of Golden Meditech since March 2005. Prior to joining Golden Meditech, Mr. Chen worked in a number of financial institutions, including SalomonSmithBarney, DBS Vickers Securities and UOB Kay Hian in Hong Kong. Mr. Chen is a CFA charterholder. He received his bachelor's degree in commerce from Queen's University, Canada, School of Business in 1999 with a major in finance and accounting.

Ping Xu, serves as our non-executive director since January 31, 2018. He also serves as a Senior Vice President in Sanpower Group Co., Ltd. ("Sanpower") from December 2014. In Sanpower, Mr. Xu is in-charge of cross-border merger and acquisition and on-shore and off-shore project financing activities. Mr. Xu is also the authorized representative of the executive partner of Nanjing Ying Peng. From 2011 to December 2014, Mr. Xu was a director of the investment banking division of Zhong De Securities ("Zhong De") handling IPO sponsorship, share and debt issuance. Before joining Zhong De, Mr. Xu served in Jiangsu Guoxin Group. Mr. Xu holds a master's degree of Financial Information and Capital Market from Fudan University and he graduated from Nanjing University majored in International Accounting.

Mark D. Chen, serves as one of our independent non-executive directors and also chairman of the Compensation Committee and the Special Committee. Prior to the Business Combination on June 30, 2009, Mr. Chen was Pantheon's chairman of the board, chief executive officer and president since its inception. He has more than twenty years of experience in private equity investments in a wide range of industries globally including TMT, healthcare, and real estate through numerous investment vehicles that he has formed and managed. In 1998, Mr. Chen co-founded Easton Capital Investment Group, a New York based private equity investment firm focusing on US based life science venture investments. Mr. Chen received a B.S. from the Shanghai Jiao Tong University in Shanghai, China, an M.S. from Pennsylvania State University and an M.B.A. from the Columbia Business School at Columbia University.

Dr. Ken Lu, has served as one of our independent non-executive directors since the Business Combination on June 30, 2009. Dr. Ken Lu is a managing partner of Fort Hill Capital Limited ("Fort Hill"), an asset management company focusing on the global equity markets. Prior to Fort Hill, Dr. Lu was a managing director of Seres Asset Management Limited ("Seres"), an Asia-focused investment manager. Prior to Seres, Dr. Lu founded and managed APAC Capital Advisors Limited, a Greater China investment specialist, from 2004 to early 2010. Dr. Lu's extensive capital market experience also includes research analyst roles at a number of leading investment banks, including JP Morgan and Credit Suisse (formerly Credit Suisse First Boston, or "CSFB"). He served as the Head of China Research at CSFB from October 2001 to May 2004. Dr. Lu also serves on the boards and Audit Committee of China Techfaith Wireless Communication Technology Limited and China Biologic Products Inc., both listed on the NASDAQ. Dr. Lu holds a Bachelor of Science degree from the Beijing University, a Master of Science from the Brigham Young University, and a Ph. D. degree in finance from the University of California, Los Angeles.

Jennifer J. Weng, serves as one of our independent non-executive directors and also chairman of Audit Committee. Prior to the Business Combination on June 30, 2009, Ms. Weng was Pantheon's chief financial officer and secretary since its inception. She currently serves as investment advisor to investment funds investing in private equity and real estate transactions in United States. Previously, she had held a variety of research and financial management positions with companies including Mizuho and Morgan Stanley in New York. Ms. Weng received a B.A. from Tongji University, China and an M.B.A. from Indiana University of Pennsylvania.

Rui Arashiyama, serves as our chief executive officer in the Guangdong and Zhejiang divisions. She oversees the daily operations and management of Nuoya and Lukou and is responsible for the formulation and implementation of marketing strategy for the two markets. She joined Nuoya in March 2009 and has over 10 years of sales and marketing experiences in China and in-depth knowledge about China's consumer market and regulatory environment. From 1999 to 2009, she worked for Jatco Company Limited and was responsible for new business and new market development, execution and cost management. Between 1989 and 1999, she was with Nissan Motor Company Limited with main responsibilities of overseas market development including China, Hong Kong and Singapore. She graduated from Beijing International Studies University (Beijing Second Foreign Languages Institute, the PRC) in 1981 with a bachelor's degree of Japanese culture. In 1988, she completed a postgraduate mass media program in Japan Sophia University.

Xin Xu, serves as our chief technology officer. She is in charge of the daily operations and logistic control of the cord blood bank laboratories, and oversees the laboratories procedures in relation to the processing, separation and preservation of cord blood stem cells to ensure the laboratories environment strictly comply with national standards. Prior to joining us in November 2004, Ms. Xu has over 20 years of solid experience in Cryobiology research and had lectured in Cryobiology at Beijing Medical University.

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Under our amended and restated articles of association, directors are divided into three classes. Each class consists of as nearly equal numbers of directors as possible and designated Class A, Class B, and Class C. The term of office of Class A expires at the first annual meeting of shareholders following the effectiveness of the amended and restated articles of association, and each third annual meeting of shareholders thereafter; the term of office of Class B expires at the second annual meeting of shareholders following the effectiveness of the amended and restated articles of association, and each third annual meeting of shareholders thereafter; and the term of office of Class C expires at the third annual meeting of shareholders following the effectiveness of the amended and restated articles of association, and each third annual meeting of shareholders thereafter. Currently Mr. Mark D. Chen and Mr. Albert Chen are Class A directors, Ms. Ting Zheng and Dr. Ken Lu are Class B directors, and Mr. Ping Xu and Ms. Jennifer J. Weng are Class C directors.

Except as described under the heading “Compensation”, none of our directors has a services contract with us or any of our subsidiaries providing for benefits upon termination of employment.

B. Compensation

This section discusses the compensation we paid in previous fiscal years to certain executive officers, which we refer to as the “named executive officers”. These named executive officers include:

- Mr. Yuen Kam, who is our former chairman and director (resigned with effect from January 31, 2018);
- Ms. Ting Zheng, who is our chairperson (appointed with effect from January 31, 2018), chief executive officer of the Company and the Beijing division;
- Mr. Albert Chen, who is our chief financial officer and director;
- Ms. Yue Deng, who is our former chief executive officer of the Beijing division (resigned with effect from April 1, 2017);
- Ms. Rui Arashiyama, who is our chief executive officer of the Guangdong and Zhejiang divisions; and
- Ms. Xin Xu, who is our chief technology officer.

Compensation Discussion and Analysis

The primary objectives of our compensation policies with respect to executive compensation are to attract and retain the best possible executives to lead us and to properly motivate these executives to perform at the highest levels of which they are capable. Compensation levels established for our executives are designed to promote loyalty, long-term commitment and the achievement of its goals, to motivate the best possible performance and to award achievement of budgetary goals to the extent such responsibility is within the executive’s job description. Compensation decisions with respect to our named executive officers have historically focused on attracting and retaining individuals who could help us to meet and exceed our financial and operational goals. Our Board of Directors considered the growth of the company, individual performance and market trends when setting individual compensation levels.

For the fiscal years ended March 31, 2016, 2017 and 2018, the compensation of the above executive officers substantially consisted of a base salary, an annual bonus and other benefits, each of which is described in more detail below:

- **Base salary.** We believe that the base salary element is required in order to provide these executive officers with a stable income stream that is commensurate with their responsibilities and competitive market conditions. Our Board of Directors established base salaries payable to the named executive officers with the goal of providing a fixed component of compensation, reflecting the executive officer’s skill set, experience, role and responsibilities. The determination of our Board of Directors and Compensation Committee of whether any of the named executive officers merited an increase in base salary during any particular year depended on the individual’s performance during the prior fiscal year, our performance during the prior fiscal year and competitive market practices. In establishing the current base salary levels, our Board of Directors and Compensation Committee did not engage in any particular benchmarking activities or engage any outside compensation advisors.

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- **Annual bonus.** Bonus for any of the above executive officers are discretionary and is generally linked to his or her individual performances for the year, including contribution to our strategic and corporate operating plans and providing executive officers performance incentives for attaining specific goals.
- **Severance benefits.** Prior to June 30, 2009, there were no written employment contracts between us and any of the named executive officers. On June 30, 2009, GCBC entered into service contracts with named executive officers and these officers are entitled to severance payments under certain circumstances. See “— Post-Acquisition Employment Agreements”.
- **Share-based compensation.** On February 18, 2011, at our annual general meeting, our shareholders approved an Incentive Plan which was subsequently amended in August 2014. In December 2014, 7,300,000 RSUs were granted to certain executives, directors and key employees under the Incentive Plan, subject to certain performance conditions. During the years ended March 31, 2016 and 2017, none of the RSUs granted was vested or forfeited and there were 7,300,000 non-vested RSUs outstanding as of March 31, 2016 and 2017. In March 2018, all the 7,300,000 RSUs were fully vested and no RSUs were issued and outstanding as of March 31, 2018. See “— Incentive Plan”.

Name and Principal Position	Year ended March 31,	Salary ⁽¹⁾ \$	Bonus ⁽¹⁾ \$	Total ⁽¹⁾ \$
Yuen Kam	2018	—	—	—
Chairman ⁽²⁾	2017	—	—	—
	2016	—	—	—
Ting Zheng	2018	423,449	509,658	933,107
Chairperson ⁽²⁾ and Chief Executive Officer	2017	388,090	257,354	645,444
	2016	367,056	—	367,056
Albert Chen	2018	423,449	386,321	809,770
Chief Financial Officer	2017	388,090	257,354	645,444
	2016	367,056	—	367,056
Yue Deng ⁽³⁾	2017	71,395	—	71,395
Chief Executive Officer — Beijing Division	2016	137,762	—	137,762
Rui Arashiyama	2018	256,508	254,829	511,337
Chief Executive Officer — Guangdong and Zhejiang Divisions	2017	249,617	257,354	506,971
	2016	255,816	—	255,816
Xin Xu	2018	135,040	45,015	180,055
Chief Technology Officer	2017	118,406	102,132	220,538
	2016	116,332	12,484	128,816

⁽¹⁾ Ms. Ting Zheng and Mr. Albert Chen were paid by GCBC in Hong Kong dollars for the years ended March 31, 2016, 2017 and 2018. Ms. Yue Deng were partly paid by GCBC in Hong Kong dollars and partly paid by our PRC subsidiary for the years ended March 31, 2016 and 2017. Ms. Rui Arashiyama and Ms. Xin Xu were partly paid by GCBC in Hong Kong dollars and partly paid by our PRC subsidiaries for the years ended March 31, 2016, 2017 and 2018. The currency exchange rate used to convert the Hong Kong dollars and Renminbi payment amounts into U.S. dollars was the noon buying rate as of March 30, 2018, which was HK\$7.8484 to \$1.00 and RMB6.2726 to \$1.00, respectively. The translations of Hong Kong dollars and Renminbi amount into U.S. dollars in this table at the specified rate is solely for the convenience of the reader.

⁽²⁾ Mr. Yuen Kam resigned from his positions as Chairman and director of the board with effect as of January 31, 2018. With effect from January 31, 2018, Ms. Ting Zheng was appointed as Chairperson of the board.

⁽³⁾ Ms. Yue Deng resigned from her position as chief executive officer of Beijing division with effect on April 1, 2017.

Post-Acquisition Employment Agreements

On June 30, 2009, GCBC entered into service contracts with named executive officers, including Ms. Ting Zheng, Mr. Albert Chen, Ms. Yue Deng (resigned with effect from April 1, 2017), Ms. Rui Arashiyama and Ms. Xin Xu. These officers are entitled to severance payments under certain circumstances, including a change of control of GCBC. See “Key Information — Risk Factors — Risks Relating to Our Business — We may have anti-takeover provisions in our organizational documents that discourage a change of control.” Except for these service contracts, GCBC does not have other service contracts with its directors or executive officers and does not set aside any amounts for pension, retirement or other benefits for our directors and officers other than to participate in statutory employee benefit plans mandated by the applicable laws.

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The four senior executive officers who are currently parties to the service contracts are Ms. Ting Zheng, Mr. Albert Chen, Ms. Rui Arashiyama and Ms. Xin Xu. The service contracts have substantially identical terms, except with respect of the duties of the executive and his or her compensation package.

The material terms under the employment agreements are as follows:

- The contract will be automatically renewed every three years until the death or incapacitation of the executive unless terminated by either party with notice.
- If the service contract is terminated by the executive within 30 days following a change of control of GCBC, the executive will be entitled to (i) all the salary and guaranteed bonuses actually accrued and payable to him/her as the case may be; (ii) immediate vesting of all of his/her unvested options; and (iii) a severance payment in the amount of \$5 million.
- GCBC may terminate a service contract without cause with at least 30 days' written notice, in which case the executive will be entitled to (i) all the salary and guaranteed bonuses actually accrued and payable to him/her as the case may be; (ii) the immediate vesting of all of his or her unvested options; and (iii) if the termination is made within two years of a change of control of our company, a severance payment in the amount of \$5 million.
- In all other cases, GCBC may terminate a service contract with cause at any time without notice, or the executive may terminate his or her service contract with at least 90 days' written notice, and in either case the executive will be entitled to all the salary and guaranteed bonuses actually accrued and payable to him/her but will not be entitled to the immediate vesting of all of his or her unvested options nor any severance payment.

In the service contracts, each executive is required to hold, both during and after his or her service contract expires or is terminated, in strict confidence and not to use, except for GCBC's benefit (including our affiliated entities and our subsidiaries), any proprietary or confidential information, including technical data and trade secrets of GCBC or the confidential information of any third party, including GCBC's affiliated entities and its subsidiaries, that GCBC receives. Each executive is also required to disclose to GCBC and hold in trust for GCBC all of the inventions, ideas, designs and trade secrets conceived of by him or her during the period that he or she is employed by GCBC, and to assign all of his or her interests in them to GCBC, and agreed that, while employed by GCBC and for a period of three years after termination of his or her employment, he or she will not serve, invest or assist in any business that competes with any significant aspect of GCBC business or solicit, induce, recruit or encourage any person to terminate his or her employment or consulting relationship with GCBC.

Finally, the contracts contain non-competition clauses, pursuant to which the executive may not engage in activities that compete with GCBC during the term of their employment with GCBC and for a period of one year after any termination of their employment with GCBC. Each executive is also required not to disclose to any third party any confidential information regarding GCBC or any of its subsidiaries or to accept or invest in any opportunity that is in line with its business operations, comes to them as a result of their employment with GCBC or involves any of its assets, unless approved by the Board.

Incentive Plan

On February 18, 2011, at our annual general meeting, our shareholders approved an Incentive Plan which has a mandate limit of granting rights to receive ordinary shares not exceeding 10.0% of our issued and outstanding share capital, to directors, officers, employees and/or consultants of GCBC and our subsidiaries. Certain administrative provisions of the Incentive Plan were subsequently amended by our Board of Directors in August 2014. The Incentive Plan is intended to enable the Company to attract, motivate, reward and retain the services of executives, directors and key employees. The Incentive Plan provides for the granting of RSUs, which may vest upon satisfaction of certain conditions set by the Compensation Committee of the Company. As of March 31, 2016 and 2017, a total of 7,300,000 RSUs were issued to certain executives, directors and key employees under the Incentive Plan, subject to certain performance conditions. In March 2018, an aggregate of 7,300,000 RSUs granted were fully vested and no RSUs were issued and outstanding as of March 31, 2018.

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The following table summarizes the RSUs fully vested to executive officers during the year ended March 31, 2018:

<u>Name</u>	<u>No. of RSUs vested</u>
Ting Zheng	1,969,202
Albert Chen	1,509,001
Rui Arashiyama	1,173,417
Xin Xu	104,167

C. Board Practices

As of the date of this report, our Board of Directors has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee.

Audit Committee. The Audit Committee consists of Mr. Mark D. Chen, Dr. Ken Lu and Ms. Jennifer J. Weng. Ms. Weng is the chairman of our Audit Committee, and we have taken reasonable actions to ensure that Ms. Weng qualifies as an “audit committee financial expert”, as such term is defined in the rules of the SEC. Mr. Chen, Dr. Lu and Ms. Weng do not have any direct or indirect material relationship with GCBC other than as a director and meet the criteria for independence set forth in Rule 10A-3 under the Exchange Act.

Our Board of Directors has adopted an audit committee charter, providing for the following responsibilities of the Audit Committee:

- retaining and terminating our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- discussing the annual audited financial statements with management and the independent auditors;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- reviewing and approving any related party transactions;
- meeting separately, periodically, with management, the internal auditors and the independent auditors;
- reporting regularly to the Board of Directors; and
- such other matters that are specifically delegated to the Audit Committee by our Board of Directors after the Business Combination from time to time.

Compensation Committee. The Compensation Committee consists of Mr. Mark D. Chen, Dr. Ken Lu and Ms. Jennifer J. Weng. Mr. Chen is the chairman of our Compensation Committee. Mr. Chen, Dr. Lu and Ms. Weng do not have any direct or indirect material relationship with GCBC other than as a director.

Our Board of Directors has adopted a compensation committee charter, providing for the following responsibilities of the Compensation Committee:

- reviewing and making recommendations to the board regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and making recommendations to the board regarding bonuses for our officers and other employees;
- reviewing and making recommendations to the board regarding share-based compensation for our directors and officers;
- annually reviewing and reassessing the adequacy of the charter;
- administering our share option plans and restricted share unit scheme in accordance with the terms thereof; and

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- such other matters that are specifically delegated to the Compensation Committee by our Board of Directors after the Business Combination from time to time.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Ms. Ting Zheng, Dr. Ken Lu and Mr. Mark D. Chen. Ms. Zheng is the chairperson of our Nominating and Corporate Governance Committee. Neither Dr. Lu nor Mr. Chen has any direct or indirect material relationship with GCBC other than as a director.

Our Board of Directors has adopted a nominating and corporate governance committee charter, providing for the following responsibilities of the Nominating and Corporate Governance Committee:

- overseeing the process by which individuals may be nominated to our Board of Directors;
- identifying potential directors and making recommendations as to the size, functions and composition of our Board of Directors;
- considering nominees proposed by our shareholders;
- annually reviewing and reassessing the adequacy of the charter;
- establishing and periodically assessing the criteria for the selection of potential directors;
- making recommendations to the Board of Directors on new candidates for board membership; and
- such other matters that are specifically delegated to the Nominating and Corporate Governance Committee by our Board of Directors after the Business Combination from time to time.

In making nominations, the Nominating and Corporate Governance Committee is required to submit candidates who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the shareholders. In evaluating nominees, the Nominating and Corporate Governance Committee is required to take into consideration the following attributes, which are desirable for a member of the board: leadership; independence; interpersonal skills; financial acumen; business experiences; industry knowledge; and diversity of viewpoints.

Special Committee

On April 27, 2015, a Special Committee, consisting of Mr. Mark Chen (Mr. Chen is the chairman of our Special Committee), Ms. Jennifer Weng and Dr. Ken Lu, was formed by our Board of Directors, to consider the GM Proposal and certain other potential transactions involving the Company. See “Information on the Company — History and Development of the Company”.

Corporate Governance

Our Board of Directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees. In addition, it has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board structure, procedures and committees. These guidelines are not intended to change or interpret any law, or our amended and restated memorandum and articles of association.

Insider Trading Policy

Directors, executive officers and employees may acquire confidential information from time to time through their employments by or fiduciary relationships with GCBC.

We have established an insider trading policy reinforcing the principles behind the insider trading prohibition under U.S. laws. Among other things, directors, executive officers and employees are prohibited from executing any trade in securities of our company and any other company about which they acquire material non-public information in the course of their duties for our company.

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Anti-Corruption Program

We have adopted and revised our internal policy concerning anti-corruption and we strictly comply with all applicable anti-corruption laws. This includes, but is not limited to, the People’s Republic of China Criminal Law and the People’s Republic of China Anti-Unfair Competition Law, the Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and anti-bribery legislation enacted by each signing country in accordance with the Organization for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The compliance policy prohibits any director, executive officer or employee from offering, paying or accepting of any money or anything of value directly or indirectly to or from anyone, in order to secure an improper advantage or induce conduct that amounts to a breach of an expectation that a person will act in good faith, impartially, or in accordance with a position of trust. These types of payments are in violation of our policies and we have adopted a “zero tolerance” approach in this regard.

D. Employees

As of March 31, 2016, 2017 and 2018, we had 923, 1,059 and 1,196 full-time employees, respectively.

The following table sets forth the number of employees based in Beijing, Guangdong and Zhejiang respectively and categorized by function as of March 31, 2018:

	<u>Beijing</u>	<u>Guangdong</u>	<u>Zhejiang</u>
Sales and marketing and after-sales support and services	211	355	165
Laboratory function	64	118	44
Management and administration	87	91	61
Total	<u>362</u>	<u>564</u>	<u>270</u>

As a committed and socially responsible healthcare company, we believe that people are the most important asset of our business. As a result, we aim to remunerate our employees based on their experience, job requirements and performances. Our compensation package typically consists of the basic salary, discretionary bonuses, share options or restricted share units. Our employees are not represented by any collective bargaining agreement, and we have never experienced a strike. We believe we have been successful in maintaining a harmonious relationship with our employees.

E. Share Ownership

See Item 7, below.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares, as of the date of this report:

- each person known to us to own beneficially more than 5% of our ordinary shares; and
- each of our directors and executive officers who beneficially own our ordinary shares.

Information provided as to 5% shareholders other than our employees or management is based solely on Schedules 13D or 13G or Forms 3, 4 and 5 filed with the Securities and Exchange Commission and subsequent issuances by the Company.

Beneficial ownership includes voting or investment power with respect to the securities and takes into consideration options and warrants exercisable by a person within 60 days after the date of this Proxy Statement. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them.

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Name	Number of Shares Beneficially Owned	Percentage of Ownership ⁽¹⁾
<i>Directors and executive officers:</i>		
Mark D. Chen ⁽²⁾	220,000	*
Jennifer J. Weng ⁽²⁾	220,000	*
All directors and executive officers as a group	220,000	*
<i>Principal shareholders:</i>		
Nanjing Ying Peng Asset Management Co., Ltd. ⁽³⁾	78,874,106	65.3%
Kent C. McCarthy ⁽⁴⁾	16,125,700	13.3%
Magnum Opus International (PTC) Limited, as trustee ⁽⁵⁾	7,080,000	5.9%

* Beneficially owns less than 1% of our ordinary shares.

(1) Percentages based on 120,824,742 shares outstanding as of July 23, 2018, excluding shares owned by us.

(2) Includes 220,000 ordinary shares held by Pantheon China Acquisition Limited, an entity controlled by Mr. Mark D. Chen. Ms. Jennifer Weng and Mr. Chen are married.

(3) Includes (i) 77,260,927 ordinary shares held by Blue Ocean; and (ii) 1,613,179 ordinary shares held of record by GM Stem Cells in which GM Stem Cells has agreed to immediately transfer to Blue Ocean or its designee on demand. Nanjing Ying Peng beneficially owns 100% of the outstanding shares of Blue Ocean and Nanjing Ying Peng Asset Management Co., Ltd. (“Nanjing Ying Peng GP”) is the general partner and executive partner of Nanjing Ying Peng. As a result, each of Nanjing Ying Peng and Nanjing Ying Peng GP are deemed to be beneficial owners of the 78,874,106 ordinary shares beneficially owned by Blue Ocean. In addition, Mr. Yafei Yuan has the right to indirectly appoint three members out of five members of the investment committee of Nanjing Ying Peng, and as a result of the voting and disposition of the 78,874,106 ordinary shares beneficially owned by Nanjing Ying Peng being determined by such investment committee, Mr. Yafei Yuan may be deemed to beneficially own the 78,874,106 ordinary shares beneficially owned by Nanjing Ying Peng. Information derived from a Schedule 13D filed on February 8, 2018.

(4) Includes (i) 2,686,300 ordinary shares held by Jayhawk Private Equity Fund II, L.P.; (ii) 12,751,500 ordinary shares and 528,500 derivative call rights held by JHMS Fund, LLC; and (iii) 159,400 ordinary shares held by the Kent C. McCarthy Revocable Trust dated October 24, 2003. Mr. Kent C. McCarthy is the manager of Jayhawk Private Equity, LLC, which is the general partner of Jayhawk Private Equity GP II, L.P. Jayhawk Private Equity GP II, L.P. is the general partner of Jayhawk Private Equity Fund II, L.P. As a result, Mr. McCarthy, Jayhawk Private Equity, LLC and Jayhawk Private Equity GP II, L.P. are deemed to be beneficial owners of the securities owned of record by Jayhawk Private Equity Fund II, L.P. Mr. McCarthy is also the manager of Jayhawk Capital Management, L.L.C., which is the manager of JHMS Management, LLC. JHMS Management, LLC is the manager of JHMS Fund, LLC. As a result, Mr. McCarthy, Jayhawk Capital Management, LLC and JHMS Management, LLC are deemed to be beneficial owners of the securities owned of record by JHMS Fund, LLC. Mr. McCarthy is also the trustee of the Kent C. McCarthy Revocable Trust dated October 24, 2003. As a result, Mr. McCarthy is deemed to be beneficial owners of the securities owned of record by the Kent C. McCarthy Revocable Trust dated October 24, 2003. Information derived from a 13G/A filed on February 13, 2018.

(5) Magnum Trustee has disclaimed beneficial ownership of such securities, except to the extent the exercise of its discretionary trust powers vests it with voting and/or dispositive control over such securities. Due to his ownership of all the outstanding interests in Mag Ops Limited, which is the sole owner of Magnum Trustee, Mr. Albert Chen may be deemed to beneficially own such securities, which beneficial ownership has been disclaimed by Mr. Chen.

As of June 30, 2018, 28.7% of our outstanding ordinary shares are held by 3 record holders in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

General Principles on Related Party Transactions

Our Audit Committee has adopted an internal policy regarding the identification, review, consideration and oversight of any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any “related party” are participants. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person are not covered. A related party is any executive officer, director or a holder of more than five percent of our ordinary shares, including any of their immediate family members and any entity owned or controlled by such persons.

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Under our policy, where a transaction has been identified as a related party transaction, management must present information regarding the proposed related party transaction to the Audit Committee of our Board of Directors for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related parties, the benefits of the transaction to us and whether any alternative transactions are available. To identify related party transactions in advance, we rely on information supplied by our executive officers, directors and certain significant shareholders. In considering related party transactions, the Audit Committee of our Board of Directors takes into account the relevant available facts and circumstances including, but not limited to the risks, costs and benefits to us; the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated; the terms of the transaction; the availability of other sources for comparable services or products; and the terms available to or from, as the case may be, unrelated third parties to or from our employees generally. In the event a director has an interest in the proposed transaction, the director must excuse himself or herself from the deliberations and approval.

Prior to the establishment of our Audit Committee in connection with the closing of the Business Combination, CCBS's Board of Directors performed similar functions in approving related party transactions. GCBC's Board of Directors reviewed each of the following related party transactions and has concluded that, in light of known circumstances, each transaction is in, and is consistent with, its best interests and its shareholders.

Lease Agreement

On March 16, 2005, Jiachenhong entered into a property lease agreement with Beijing Jingjing Medical Equipment Co., Ltd. ("Beijing Jingjing"), pursuant to which Beijing Jingjing leased its real property in Beijing to Jiachenhong. Beijing Jingjing is a subsidiary of Golden Meditech and is engaged in manufacturing and sale of medical devices. The property is approximately 2,400 square meters in size and may be used by Jiachenhong for its business operations or scientific research or as office premises at an effective monthly rental of RMB174,000. The lease was renewed in July 2009 at a monthly rental of RMB120,000 for a period of 5.5 years and expired in December 2014. In December 2014, the lease was further renewed at a monthly rental of RMB120,000 for a period of 5 years. The lease was terminated on April 1, 2016 and therefore, no rental expense was incurred during the year ended March 31, 2017 and the period from April 1, 2017 to January 31, 2018. Beijing Jingjing was no longer a related party to the Company since February 1, 2018.

Convertible notes

On April 27, 2012, we completed the sale of \$65 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are mature on April 27, 2017 and are convertible into ordinary shares at a conversion price of \$2.838 per share, to BCHIL. On August 26, 2015, BCHIL transferred the convertible notes to ECHIL. On the same day, Magnum 2 acquired from BCHIL the convertible notes through acquisition of all the issued and outstanding shares of ECHIL. On January 4, 2016, Golden Meditech acquired from ECHIL the convertible notes and subsequently transferred the convertible notes to its wholly-owned subsidiary, GM Stem Cells.

On October 3, 2012, we completed the sale of \$50 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are mature on October 3, 2017 and are convertible into ordinary shares at a conversion price of \$2.838 per share, to Golden Meditech. In November 2014, Golden Meditech completed the sale of 50% of the convertible notes to each of Cordlife Singapore and Magnum Opus. In May 2015, Golden Meditech entered into agreements with Cordlife Singapore and Magnum Opus to purchase the convertible notes held by them. The acquisitions of convertible notes from Cordlife Singapore and Magnum Opus were completed in November and December 2015, respectively, and the convertible notes were subsequently transferred to GM Stem Cells.

In April 2017, GM Stem Cells converted all outstanding 7% senior convertible notes of \$115 million in aggregate principal amount into ordinary shares of the Company at a conversion price of \$2.838 per share. The conversion resulted in an issuance of 40,521,494 ordinary shares of the Company to GM Stem Cells.

Commercial Arrangement

During the year ended March 31, 2014, the Company entered into a commercial arrangement with Golden Meditech for the procurement of raw materials that are essential to the automated stem cells extraction process. Prices for materials which the Company plans to purchase from Golden Meditech are identical to the prices which Golden Meditech will charge to other independent third parties in the PRC, and the other terms offered to the Company are no less favorable than those offered to other independent third parties. For the years ended March 31, 2016, and 2017 and the period from April 1, 2017 to January 31, 2018, the Company purchased raw materials of RMB37.6 million, RMB36.4 million and RMB18.8 million (\$3.0 million) from China Bright Group Co. Limited (“China Bright”), a subsidiary of Golden Meditech. Since February 1, 2018, Golden Meditech and China Bright were no longer related parties of the Company.

During the year ended March 31, 2017, the Company performed a consultation service related to the usage of cord blood processing devices and consumables and recorded RMB16.8 million as a reduction of direct costs. Golden Meditech is a distributor of such devices and consumables in the PRC and the Company is a customer of Golden Meditech. Since the consideration of the consultation service cannot be sufficiently separated from the Company’s purchases of such devices and consumables and the fair value of the benefit provided for cannot be reasonably estimated either, the consideration received from Golden Meditech was recorded as a reduction of direct costs as associated cord blood processing devices and consumables which the Company purchased from Golden Meditech were consumed and included in direct costs. The terms and conditions of the arrangement were reached through arm’s length negotiation.

During the year ended March 31, 2017, the Company entered into a collaboration agreement regarding a commercial arrangement with Golden Meditech. Utilizing the Company’s existing donated cord blood samples resources, the Company provided Golden Meditech with exclusive access to certain data derived from a small portion of donated cord blood samples, in return for a fee of RMB26.3 million. The terms and conditions of the arrangement were reached through arm’s length negotiation.

During the year ended March 31, 2018, the Company entered into a commercial arrangement with Golden Meditech for the purchase of raw materials and machineries for the automated stem cells extraction process. Prices for materials and machineries which the Company plans to purchase from Golden Meditech are identical to the prices which Golden Meditech will charge to other independent third parties in the PRC, and the other terms offered to the Company are no less favorable than those offered to other independent third parties. For the period from April 1, 2017 to January 31, 2018, the Company purchased raw materials and machineries of RMB19.4 million (\$3.1 million) from Beijing Jingjing, a subsidiary of Golden Meditech. Since February 1, 2018, Golden Meditech and Beijing Jingjing were no longer related parties of the Company.

Consultancy services

During the years ended March 31, 2016 and 2017 and the period from April 1, 2017 to January 31, 2018, consultancy services were provided by Golden Meditech (S) Pte Ltd., a subsidiary of Golden Meditech, to the Company for an amount of RMB4.1 million, RMB4.3 million and RMB4.5 million (\$0.7 million), respectively. Since February 1, 2018, Golden Meditech (S) Pte Ltd. was no longer a related party of the Company.

License fee

During the period from April 1, 2015 to October 30, 2015 and the period from February 1, 2018 to March 31, 2018, Cordlife Singapore charged the Group a license fee for an amount of RMB0.3 million and nil respectively. For the period from October 31, 2015 to January 31, 2018, Cordlife Singapore was not a related party of the Company. Since February 1, 2018, Cordlife Singapore is a related party to the Company because Cordlife Singapore is deemed to be controlled by Mr. Yafei Yuan, the Company’s controlling shareholder.

C. Interests of Experts and Counsel

Not required.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18 for the consolidated statements.

Dividend policy

Payment of dividends is subject to the Board of Directors' discretion and the form, frequency and amount of any dividend will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

On June 26, 2018, the Board of Directors declared a dividend of US\$0.08 per ordinary share of the Company, to be paid in cash or in scrip dividend at the election of the shareholder. The dividend will be payable on August 20, 2018 (but no later than August 24, 2018) to shareholders of record as of July 30, 2018. Any future payment of dividends will be subject to our Board of Directors' discretion and the form, frequency and amount of any dividend will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

B. Significant Changes

None

ITEM 9. THE OFFER AND LISTING**A. Offer and Listing Details**

The following tables set forth, for the periods indicated and through June 30, 2018, the high and low sale prices for GCBC's shares as reported on the NYSE (See Item 9C for the dates that the securities were traded on each market).

	High	Low
Fiscal Annual Highs and Lows		
2016	\$ 7.65	\$ 5.09
2017	6.66	4.42
2018	14.67	6.37
Fiscal Quarterly Highs and Lows		
2016		
First Quarter	7.22	5.09
Second Quarter	7.65	5.13
Third Quarter	6.45	6.00
Fourth Quarter	6.25	5.67
2017		
First Quarter	6.33	5.71
Second Quarter	5.83	4.94
Third Quarter	6.34	4.42
Fourth Quarter	6.66	5.62
2018		
First Quarter	9.77	6.37
Second Quarter	14.67	9.79
Third Quarter	12.35	9.24
Fourth Quarter	11.87	8.71
Monthly Highs and Lows		
January 2018	10.41	8.71
February 2018	10.96	10.22
March 2018	11.87	10.17
April 2018	10.01	9.07
May 2018	10.04	9.28
June 2018	10.11	9.27

B. Plan of Distribution

Not Applicable.

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C. Markets

Our shares have been listed on the NYSE under the symbol CO since November 19, 2009.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

Registered Office. Under the Company's amended and restated memorandum of association, the Registered Office of the Company is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, or at such other place as the directors or shareholders may by resolution from time to time decide.

Objects and Purposes. There are no limitations on the business that the Company may carry on provided that it must be duly licensed to carry on a business for which a license is required in the Cayman Islands.

Special Resolution. A resolution shall be a special resolution when it has been passed by a majority of not less than two-thirds (66 and 2/3%) of votes cast by such members as, being entitled so to do, vote in person or by duly authorized representative or by proxy at a duly convened general meeting.

Directors. We are managed by our Board of Directors. Our amended and restated articles of association provide that there shall be no maximum number of directors unless otherwise determined from time to time by a resolution of the directors, and unless determined by the Company in general meeting, must consist of not less than three directors. Any director on our board may be removed by way of a Special Resolution of shareholders. Any vacancies on our Board of Directors or additions to the existing Board of Directors can be filled by way of a Special Resolution of shareholders or by the affirmative vote of a simple majority of the remaining directors. The directors have the power to appoint any person as a director to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the Board of Directors to fill a casual vacancy shall serve for the remainder of the term of the Director whose death, resignation or removal created such vacancy. At each annual general meeting, one-third of our directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire in every year will be those who have been longest in office since their last reelection or appointment but as between persons who became or were last re-elected directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of directors upon reaching any age limit.

Meetings of our Board of Directors may be convened at any time deemed necessary by our secretary on request of the chairman or a majority of the board. Advance notice of a meeting is not required if each director entitled to attend consents to the holding of such meeting.

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A meeting of our Board of Directors shall be competent to make lawful and binding decisions if at least two of the members of our Board of Directors are present or represented unless the board has fixed any other number. At any meeting of our directors, each director is entitled to one vote.

Questions arising at a meeting of our Board of Directors are required to be decided by simple majority votes of the members of our Board of Directors present or represented at the meeting. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. Our Board of Directors may also pass resolutions without a meeting by unanimous written consent.

Pursuant to our amended and restated articles of association, our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our amended and restated memorandum and articles of association, subject to any separate requirement for Audit Committee approval under the applicable rules of the exchange on which we are listed at the time or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

Rights, Preferences and Restrictions Attaching to the Company's Shares. As of March 31, 2018, our authorized share capital is \$25,100, consisting of 250,000,000 ordinary shares, par value \$0.0001 per share, and 1,000,000 preferred shares, par value \$0.0001 per share, and the issued share capital consists of 120,824,742 ordinary shares fully paid or credited as fully paid.

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote, and on a poll every shareholder present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly appointed representative) shall have one vote for each fully paid share of which such shareholder is the holder.

No shareholder shall be entitled to vote or be counted in a quorum, in respect of any share, unless such shareholder is registered as our shareholder at the applicable record date for that meeting and all calls or installments due by such shareholder to us have been paid.

If a clearing house or depository (or its nominee(s)) is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house or depository (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or depository (or its nominee(s)) including the right to vote individually on a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of our directors, unlike the requirement under Delaware law that cumulative voting for the election of directors is permitted only if expressly authorized in the certificate of incorporation, it is not a concept that is accepted as a common practice in the Cayman Islands, and we have made no provisions in our amended and restated memorandum and articles of association to allow cumulative voting for such elections.

Alteration of Memorandum and Articles of Association or Share Rights. Except with respect to share capital (as described below), alterations to our amended and restated memorandum and articles of association may only be made by Special Resolution of the shareholders.

Subject to the Companies Law, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of our amended and restated memorandum and articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at its adjourned meeting shall be two or more persons together holding (or represented by proxy) not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and any holder of shares of that class present in person or by proxy may demand a poll.

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The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

We may from time to time by ordinary resolution:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled;
- sub-divide our shares, or any of them, into shares of smaller amount than is fixed by our amended and restated memorandum and articles of association, subject, nevertheless to the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the share resulting from such subdivision, one or more of the shares may have any such preference or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively as preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination in general meeting may be determined by our directors.

We may, by Special Resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve or other undistributable reserve in any manner authorized by law.

Meetings. Subject to our regulatory requirements, an annual general meeting and any extraordinary general meeting shall be called by not less than 10 clear days' notice in writing. Notice of every general meeting will be given to all of our shareholders other than those that, under the provisions of our amended and restated memorandum and articles of association or the terms of issue of the shares they hold, are not entitled to receive such notices from us, and also to our directors and principal external auditors. Extraordinary general meetings may be called only by the chairman of our Board of Directors, a majority of our Board of Directors or any shareholders together holding not less than 75% of our issued share capital, and may not be called by any other person. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting other than with respect to (1) declarations of dividends; (2) the adoption of our financial statements and reports of directors and auditors thereon; (3) the granting of any mandate or authority to directors to offer, allot, grant options or otherwise dispose of unissued shares in the capital of our company representing not more than 20% of the nominal value of our existing issued share capital; (4) the granting of any mandate or authority to directors to repurchase our securities; (5) the election of directors; (6) the appointment of auditors and other officers; and (7) the fixing of the remuneration of the auditors and the voting of remuneration or extra remuneration to the directors.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to applicable regulatory requirements, it will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; or (2) in the case of any other meeting, by a majority in number of our shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued ordinary shares giving that right.

At any general meeting, two shareholders entitled to vote and present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative that represent not less than one-third of our issued and outstanding voting shares will constitute a quorum. No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our company shall be the chairman presiding at any shareholders meetings.

A corporation being a shareholder shall be deemed for the purpose of our amended and restated memorandum and articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were our individual shareholder.

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Limitations on the Right to Own Securities. There are no limitations on the rights to own securities of the Company, or limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the Company's securities, contained in the Company's amended and restated memorandum and articles of association or under Cayman Islands law.

Issuance of Additional Ordinary Shares or Preference Shares. Our amended and restated memorandum and articles of association authorizes our Board of Directors to issue additional ordinary shares from time to time as our Board of Directors shall determine, to the extent of available authorized but unissued ordinary shares.

Our amended and restated memorandum and articles of association authorizes our Board of Directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our Board of Directors may issue series of preference shares without action by our shareholders to the extent of available authorized but unissued preference shares. Accordingly, the issuance of preference shares may adversely affect the rights of the holders of the ordinary shares. In addition, the issuance of preference shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of preference shares may dilute the voting power of holders of ordinary shares.

Subject to applicable regulatory requirements, our Board of Directors may issue additional ordinary shares without action by our shareholders to the extent of available authorized but unissued shares. The issuance of additional ordinary shares may be used as an anti-takeover device without further action on the part of the shareholders. Such issuance may dilute the voting power of existing holders of ordinary shares.

Mergers and Similar Arrangements. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and a Special Resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose, a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and

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- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a take-over offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

C. Material Contracts

All material contracts governing the business of the Company are described elsewhere in this annual report on Form 20-F or in the information incorporated by reference herein.

D. Exchange Controls

Under Cayman Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our shares.

E. Taxation

United States Federal Income Taxation

General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares.

The discussion below of the U.S. federal income tax consequences under the heading “U.S. Holders” will apply to a beneficial owner of our ordinary shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust; or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A beneficial owner of our ordinary shares that is described above is referred to herein as a “U.S. Holder”. If a beneficial owner of our ordinary shares is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder”. The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading “Non-U.S. Holders”.

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

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This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold our ordinary shares as capital assets within the meaning of Section 1221 of the Code and does not address the alternative minimum tax. In addition, this discussion does not address the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our shares;
- persons that acquired our ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold our ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or
- passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws, or except as discussed herein, any tax reporting obligations applicable to a holder of our ordinary shares. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our ordinary shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) to a holder in respect of our ordinary shares and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of our ordinary shares will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service ("IRS") or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES. IT IS NOT TAX ADVICE. EACH HOLDER OF OUR ORDINARY SHARES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

Tax Treatment of GCBC after the Redomestication and the Share Exchange

Section 7874(b) of the Code generally provides that a corporation organized outside the United States that acquires, directly or indirectly, pursuant to a plan or series of related transactions, substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 80% of either the voting power or the value of the stock of the acquiring corporation after the acquisition. Under regulations promulgated under Section 7874, a warrant holder of either the acquired corporation or the acquiring corporation generally is treated for this purpose as owning stock of the acquired corporation or the acquiring corporation, as the case may be, with a value equal to the excess of the value of the shares underlying the warrant over the exercise price of the warrant. If Section 7874(b) were to have applied to the Redomestication, then, among other things, GCBC, as the surviving entity, would have been subject to U.S. federal income tax on its worldwide taxable income following the Redomestication and the Share Exchange, as if it were a domestic corporation.

After the completion of the Share Exchange, which occurred immediately after and as part of the same plan as the Redomestication, the former stockholders of Pantheon Arizona (including warrant holders treated as owning stock of Pantheon Arizona pursuant to the regulations under Section 7874) should have been considered as owning, by reason of owning (or being treated as owning) stock of Pantheon Arizona, less than 80% of the voting power and the value of the shares of GCBC (including any warrants treated as shares of GCBC pursuant to the regulations promulgated under Section 7874). Accordingly, Section 7874(b) should not have applied to treat GCBC as a domestic corporation for U.S. federal income tax purposes. However, due to the absence of comprehensive guidance on how the rules of Section 7874(b) applied to the transactions completed pursuant to the Redomestication and Share Exchange, this result is not entirely free from doubt. If, for example, the Redomestication were ultimately determined for purposes of Section 7874(b) as having occurred prior to, and separate from, the Share Exchange for U.S. federal income tax purposes, the share ownership threshold for applicability of Section 7874(b) generally would have been satisfied (and GCBC would have been treated as a domestic corporation for U.S. federal income tax purposes) because the former stockholders of Pantheon Arizona (including warrant holders treated as owning stock of Pantheon Arizona), by reason of owning (or being treated as owning) stock of Pantheon Arizona, would have owned all of the shares (including any warrants treated as shares) of GCBC immediately after the Redomestication. Although normal “step transaction” tax principles supported the view that the Redomestication and the Share Exchange should have been viewed together for purposes of determining whether Section 7874(b) was applicable, because of the absence of guidance under Section 7874(b) directly on point, this result is not entirely free from doubt. The discussion herein assumes that GCBC has been and will be treated as a foreign corporation for U.S. federal income tax purposes.

U.S. Holders

Taxation of Cash Distributions Paid on Ordinary Shares

Subject to the passive foreign investment company, or “PFIC”, rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our ordinary shares. A cash distribution on such ordinary shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The portion of such cash distribution, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in our ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ordinary shares.

With respect to non-corporate U.S. Holders, any such dividends may be subject to U.S. federal income tax at the lower applicable regular long-term capital gains tax rate (see “— Taxation on the Disposition of Ordinary Shares” below) provided that (1) our ordinary shares are readily tradable on an established securities market in the United States or, in the event we are deemed to be a PRC “resident enterprise” under the EIT Law, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “U.S.-PRC Tax Treaty”); (2) we are not a PFIC, as discussed below, for either the taxable year in which such dividend was paid or the preceding taxable year; and (3) certain holding period requirements are met. Under published IRS authority, ordinary shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NYSE. While our ordinary shares are currently listed and traded on the NYSE, U.S. Holders nevertheless should consult their own tax advisors regarding the availability of the lower rate for any dividends paid with respect to our ordinary shares.

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If a PRC income tax applies to any cash dividends paid to a U.S. Holder on our ordinary shares, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such dividends, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Taxation on the Disposition of Ordinary Shares

Upon a sale or other taxable disposition of our ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the ordinary shares.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for the ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

If a PRC income tax applies to any gain from the disposition of our ordinary shares by a U.S. Holder, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such gain, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Additional Taxes

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, cash dividends on, and gains from the sale or other taxable disposition of, our ordinary shares, subject to certain limitations and exceptions. Under applicable regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund, or "QEF", rules discussed below under "— Passive Foreign Investment Company Rules", but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our ordinary shares.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if either (a) at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own (directly or indirectly) at least 25% of the shares by value, is passive income; or (b) at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own (directly or indirectly) at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

Based on the composition (and estimated values) of the assets and the nature of the income of us and our subsidiaries for our taxable year ended March 31, 2018, we do not believe that we will be treated as a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for such year, there can be no assurance with respect to our PFIC status for such year. There also can be no assurance in respect to our status as a PFIC for our current taxable year or any subsequent taxable year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ordinary shares and such U.S. Holder did not make either a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our ordinary shares, a QEF election along with a purging election or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

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- any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares; and
- any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of our ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the ordinary shares).

Under these rules,

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the ordinary shares;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we qualified as a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder generally will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends if we are treated as a PFIC for that taxable year. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to our ordinary shares, and the special tax and interest charge rules do not apply to such ordinary shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such ordinary shares or a QEF election along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of such ordinary shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF generally are currently taxed on their pro rata shares of the QEF’s earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder’s ordinary shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning ordinary shares in a QEF.

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Although a determination as to our PFIC status will be made annually, an initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held our ordinary shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such ordinary shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such ordinary shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our ordinary shares, the PFIC rules discussed above will continue to apply to such shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a purging election to recognize under the rules of Section 1291 of the Code any gain that the U.S. Holder would otherwise recognize if the U.S. Holder had sold such shares for their fair market value on the “qualification date”. The qualification date is the first day of our tax year in which we qualify as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held our ordinary shares on the qualification date. The gain recognized by the purging election generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder generally will increase the adjusted tax basis in its ordinary shares by the amount of the gain recognized and also will have a new holding period in its ordinary shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns (or is deemed to own) ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such ordinary shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares as long as such shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income for each year that we are treated as a PFIC the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted tax basis in its ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder’s adjusted tax basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares in a taxable year in which we are treated as a PFIC generally will be treated as ordinary income. Special tax rules may apply if a U.S. Holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are determined to be a PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the SEC (including the NYSE) or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. While our ordinary shares are currently listed and traded on the NYSE, U.S. Holders nevertheless should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our ordinary shares generally should be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder otherwise were deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC or will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) ordinary shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder’s U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our ordinary shares should consult their own tax advisors concerning the application of the PFIC rules to our ordinary shares under their particular circumstances.

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Non-U.S. Holders

Cash dividends paid (or deemed paid) to a Non-U.S. Holder in respect to our ordinary shares generally will not be subject to U.S. federal income tax, unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, also may be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our ordinary shares within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its ordinary shares and adjustments to that tax basis and whether any gain or loss with respect to such ordinary shares is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interests in our ordinary shares.

Moreover, backup withholding of U.S. federal income tax at a current rate of 24% generally will apply to cash dividends paid on our ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

F. Dividends and Paying Agents

On June 26, 2018, the Board of Directors declared a dividend of US\$0.08 per ordinary share of the Company, to be paid in cash or in scrip dividend at the election of the shareholder. The dividend will be payable on August 20, 2018 (but no later than August 24, 2018) to shareholders of record as of July 30, 2018. Continental Stock Transfer & Trust Company is the Company's paying agent in respect of the dividend and a description of the procedures applicable for shareholders to receive the dividend is contained in the Company's Scrip Dividend Scheme, a copy of which is filed herewith as Exhibit 15.3 and is available on the Company's website.

G. Statement by Experts

Not required.

H. Documents on Display

Documents concerning us that are referred to in this document may be inspected at our principal executive offices at 48th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong S.A.R.

In addition, we will file annual reports and other information with the SEC. We will file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders will be exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. Annual reports and other information we file with the SEC may be inspected at the public reference facilities maintained by the SEC at Room 1580, 100 F. Street, N.E., Washington, D.C. 20549, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the SEC. In addition, the SEC maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the SEC which can be accessed at <http://www.sec.gov>.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of business, including risk from changes in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Our reporting currency is the Renminbi. Renminbi is the functional currency for our operating subsidiaries in China and U.S. dollar is our functional currency. All transactions in currencies other than the functional currency during the year are recorded at the exchange rates prevailing on the respective relevant dates of such transactions. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than the functional currency are re-measured at the exchange rates prevailing on such date. Exchange differences are recorded in our consolidated statements of comprehensive income. Fluctuations in exchange rates may also affect our consolidated balance sheets.

As we rely on dividends paid to us by our PRC operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on our results of operations and financial condition, and the value of, and any dividends payable on, our ordinary shares in foreign currency terms. A decline in the value of Renminbi against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, our market value and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our ordinary shares.

On July 21, 2005, People's Bank of China adjusted the exchange rate of U.S. dollar to Renminbi from \$1 = RMB8.27 to \$1 = RMB8.11, and ceased to peg the Renminbi to the U.S. dollar. Instead, the Renminbi is pegged to a basket of currencies, which components are subject to adjustment based on changes in market supply and demand under a set of systematic principles. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On June 19, 2010, the People's Bank of China released a statement indicating that they would "proceed further with reform of RMB exchange rate regime and increase the RMB exchange rate flexibility". On March 17, 2014, the floating band of Renminbi against U.S. dollar was increased from 1% to 2%. Since the adoption of these measures, the value of Renminbi against the U.S. dollar has fluctuated on a daily basis within narrow ranges. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant fluctuation in the value of the Renminbi against the U.S. dollar. The Renminbi may be revalued further against the U.S. dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies.

We had cash and cash equivalents denominated in U.S. dollars of approximately \$3.3 million as of March 31, 2018. As a portion of U.S. dollars were held by our subsidiaries whose functional currency is Hong Kong dollars, any exchange differences on retranslation of such balances into Hong Kong dollars are recognized in the consolidated statements of comprehensive income. However, the related currency risk is not considered significant as the Hong Kong dollar is pegged to the U.S. dollar. Further, as we adopt Renminbi as our reporting currency, the reported amount of cash and cash equivalents will be affected by fluctuations in the exchange rate of U.S. dollar to Renminbi.

Interest Rate Risk

As of March 31, 2018, we had cash and cash equivalents of RMB4,250.6 million (\$677.6 million). We do not maintain any credit facilities as of March 31, 2018. Our cash equivalents primarily represent short-term deposits. Interest-bearing instruments carry a degree of interest rate risk. Our future interest income may be lower than expected due to changes in market interest rates. With respect to the cash and cash equivalents outstanding as of March 31, 2018, a 10% decrease in interest rates would have decreased our interest income from bank deposits for the year ended March 31, 2018 from RMB15.1 million (\$2.4 million) to RMB13.6 million (\$2.2 million).

Equity Price Risk

As of March 31, 2018, we had available-for-sale equity securities of RMB153.9 million (\$24.5 million). The available-for-sale equity securities mainly consist of our equity investment in Cordlife Singapore, which is a publicly traded company on the Singapore Exchange. As of March 31, 2018, we owned 10.1% equity interest in Cordlife Singapore. Investments in Cordlife Singapore is exposed to price fluctuations. As of March 31, 2018, there was total unrealized net holding gains of RMB62.6 million (\$10.0 million) recorded in Cordlife Singapore.

In May 2010, we completed the investment in approximately 19.9% equity interest in Qilu, the exclusive cord blood banking operator in the Shandong province. We further increased our equity interest in Qilu to 24.0% in February 2013. We do not have any representation in the Board of Directors of Qilu and do not have control or significant influence in Qilu both before and after February 2013. Therefore, we accounted for our equity ownership in Qilu at cost less impairment losses and the investment is subject to impairment assessments depending on Qilu's operational performance, local demographic trend and the economic environment of the Shandong province.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not required.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has been no default of any indebtedness nor is there any arrearage in the payment of dividends.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Use of Proceeds

In November 2009, we completed an offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per ordinary share. In January 2010, the underwriters in the offering exercised their over-allotment option in full for an additional 495,867 shares at the offering price, resulting in an aggregate of 3,801,653 shares issued in the offering. We received net proceeds from this offering of approximately \$20.5 million, after deducting underwriting discounts. The principal purposes of this offering were to increase the liquidity of the public market for our ordinary shares for the benefit of all shareholders, retain talented employees by providing them equity incentives, fund proposed capital expenditures and raise capital for general corporate purposes and potential acquisitions. As of the date of this report, we have allocated a portion of the net proceeds of the offering for acquisition and investment purposes and the remaining proceeds on general corporate purposes.

On November 5, 2010, we completed a follow-on public offering of 7,000,000 shares at \$4.50 per share. Total gross proceeds of \$31.5 million raised are being used in building out our Zhejiang operation and for general working capital purposes.

On December 10, 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

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On April 27, 2012, we completed the sale of \$65 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are convertible into ordinary shares at a conversion price of \$2.838 per share, to BCHIL. Also, on October 3, 2012, we completed the sale of \$50 million in aggregate principal amount of 7% senior unsecured convertible notes, which notes are convertible into ordinary shares at a conversion price of \$2.838 per share, to Golden Meditech. Total proceeds from both convertible notes of \$115 million raised are being used for capacity expansion, potential acquisition and general corporate purpose. In April 2017, GM Stem Cells converted all outstanding 7% senior convertible notes of \$115 million in aggregate principal amount into ordinary shares of the Company at a conversion price of \$2.838 per share. The conversion resulted in an issuance of 40,521,494 ordinary shares of the Company to GM Stem Cells.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Our management carried out an evaluation, under the supervision of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act as of March 31, 2018. Based on that evaluation, our management, including our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company’s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company’s receipts and expenditures are being made only in accordance with authorizations of a company’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management assessed the effectiveness of our internal control over the financial reporting as of March 31, 2016, using criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In the first quarter of 2017, we initiated the transition from the Internal Control - Integrated Framework (1992) to the Internal Control - Integrated Framework (2013). Based on this assessment using criteria established in Internal Control - Integrated Framework (2013) issued by the COSO, our management concluded that our internal control over financial reporting was effective as of March 31, 2018.

Attestation Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm, KPMG Huazhen LLP, has audited the effectiveness of our Company’s internal control over financial reporting as of March 31, 2018.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that while our management believes that our disclosure controls and procedures provide a reasonable level of assurance, our management does not expect that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Global Cord Blood Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and subsidiaries' (the "Company") internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of March 31, 2017 and 2018, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes (collectively, the "consolidated financial statements"), and our report dated July 23, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG Huazhen LLP
Beijing, China
July 23, 2018

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that Ms. Jennifer J. Weng is an audit committee financial expert, and "independent" as that term is defined in the NYSE listing standards.

ITEM 16B. CODE OF ETHICS

Our Board of Directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees. In addition, it has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board structure, procedures and committees. These guidelines are not intended to change or interpret by any law, or our amended and restated memorandum and articles of association.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm for the audit of our annual financial statements for the years ended March 31, 2016, 2017 and 2018 was KPMG Huazhen LLP. The following table sets forth the aggregate fees by categories specified below paid and to be paid by us to our independent accountants.

	For the year ended March 31,			
	2018	2017		2016
	\$	RMB	RMB	RMB
		(in thousands)		
Audit fee ⁽¹⁾	1,037	6,503	5,858	5,961
Audit related fees	—	—	—	—
Tax fees	—	—	—	—
Total fees	1,037	6,503	5,858	5,961

⁽¹⁾ "Audit fees" means the aggregate fees billed for an audit of our consolidated financial statements and our internal control over financial reporting.

The Audit Committee or our Board of Directors is to pre-approve all auditing services and permitted non-audit services to be performed for us by our independent auditor, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee or our Board of Directors prior to the completion of the audit).

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On September 13, 2010, the Company announced its intention to conduct a share exchange with all the existing warrant holders, in which the Company would offer to exchange one ordinary share for every eight warrants. On December 10, 2010, the Company announced the completion of the share exchange. The Company issued 1,627,518 ordinary shares, equivalent to 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. Investors that participated in the warrant exchange offer were subject to a 45-day lock up period with regard to ordinary shares acquired in the exchange offer.

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On September 15, 2010, the Company announced that its Board of Directors had approved a share repurchase program in the aggregate amount of \$15 million for the period commencing with the announcement and continuing until September 14, 2011. On August 3, 2011, the Company has sought the Board of Director’s approval to refresh the share repurchase program in the aggregate amount of \$15 million for 12 months and would continue until August 2, 2012. On July 31, 2012, July 24, 2013, July 30, 2014, July 30, 2015, July 28, 2016, July 25, 2017 and July 23, 2018, the Board of Directors approved a new share repurchase program in the aggregate amount of \$20 million for 12 months until July 31, 2013, July 24, 2014, July 30, 2015, July 30, 2016, July 28, 2017, July 25, 2018 and July 23, 2019 respectively. The share repurchases can be made in the open market at prevailing market prices or in block trades and will be subject to restrictions relating to volume, price and timing. The timing of purchases is determined by the Company, which bases its decisions on stock price, corporate and regulatory requirements, capital availability and other market conditions. The program does not obligate the Company to acquire any particular number of ordinary shares and may be commenced, suspended or discontinued at any time or from time to time in the Company’s discretion without prior notice. The Company did not repurchase any shares during the year ended March 31, 2018.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

We are incorporated under the laws of the Cayman Islands, our home country, with securities publicly traded in the United States on the NYSE.

The NYSE Rules permit foreign private issuers to follow applicable home country corporate governance practices in lieu of the NYSE corporate governance standards, subject to certain exceptions. Foreign private issuers electing to follow home country corporate governance rules are required to disclose the principal differences in their corporate governance practices from those required under the NYSE Rules. Except as set forth below, there are no material differences in the Company’s corporate governance practices from those of U.S. domestic companies under the listing standards of the NYSE.

Under the NYSE Listed Company Manual, shareholder approval is required prior to the issuance of common stock (or securities convertible into common stock) amounting to more than (i) 20% of the listed company’s currently outstanding common stock in an offering that does not constitute a “public offering” as defined under the NYSE rules; and (ii) one percent to a director, officer or 5% securityholder of the company, or a related party, or certain companies, entities or persons with relationships with the related party. The NYSE Listed Company Manual also provides that if the related party involved in the transaction is classified as such solely because such person is a 5% securityholder, and if the issuance relates to a sale of stock for cash at a price at least as great as each of the book and market value of the issuer’s common stock, then shareholder approval will not be required unless the number of shares exceeds either five percent of the number of shares or voting power of the company. We currently expect to use this exception to enable us to raise capital from time to time, on market terms approved by our board and Audit Committee, consistent with our past practice. In accordance with applicable current NYSE requirements, we have provided to the NYSE letters from outside counsel certifying that the Company’s practices in these areas are not prohibited by our home country law.

The NYSE Listed Company Manual provides that a majority of the board of directors and each member of a listed company’s Nominating and Corporate Governance Committee must be “independent” as set forth in Section 303A.02 of the NYSE Listed Company Manual. We currently expect to use this exception to enable us to maintain a board composed of less than a majority of independent directors and to appoint non-independent director(s) to our Nominating and Corporate Governance Committee. In accordance with applicable current NYSE requirements, we have provided to the NYSE letters from outside counsel certifying that the Company’s practices in these areas are not prohibited by our home country law.

ITEM 16H. MINE SAFETY DISCLOSURE

None.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

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ITEM 18. FINANCIAL STATEMENTS

The financial statements are filed as part of this annual report beginning on page F-1.

ITEM 19. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1.1	Amended and Restated Memorandum and Articles of Association ⁽¹⁾
2.1	Specimen Certificate for Ordinary Shares ⁽¹⁾
2.2	Form of Senior Debt Securities Indenture ⁽²⁾
2.3	Form of Subordinated Debt Securities Indenture ⁽²⁾
4.1	2009 Share Option Scheme ⁽¹⁾
4.2	Form of Employment Agreement between the Registrant and senior executive officers of the Registrant ⁽¹⁾
4.3	Subscription Agreement between China Cord Blood Services Corporation and Cordlife ⁽¹⁾
4.4	The Agreement and Plan of Merger, Conversion and Share Exchange by and among Pantheon China Acquisition Corp, Pantheon Arizona Corp., China Cord Blood Services Corporation, Golden Meditech Company Limited and the selling shareholders of China Cord Blood Services Corporation ⁽¹⁾
4.5	Summary Translation of Working Capital Loan Agreement, dated as of June 27, 2011, by and between Beijing Jiachenhong Biological Technologies, Co., Ltd. and Hua Xia Bank ⁽²⁾
4.6	Promissory Note, as of June 30, 2009 ⁽¹⁾
4.7	Acquisition Agreement, dated February 24, 2010, between China Stem Cells (East) Company Limited, a subsidiary of the Registrant and Glorysun Holdings Group Limited ⁽²⁾
4.8	English translation of Framework Agreement, dated September 15, 2010 between Zhejiang Provincial Blood Center and Beijing Cord Blood Hematopoietic Stem Cells Bank, a subsidiary of the Registrant ⁽⁴⁾
4.9	2011 China Cord Blood Corporation Restricted Share Unit Scheme ⁽⁵⁾
4.10	Marketing Collaboration Agreement, dated as of May 18, 2011, by and between Cordlife (Hong Kong) Ltd. and China Cord Blood Corporation ⁽³⁾
4.11	Convertible Note Purchase Agreement between China Cord Blood Corporation and KKR China Healthcare Investment Limited dated April 12, 2012 ⁽⁶⁾
4.12	7% Senior Convertible Note issued to KKR China Healthcare Investment Limited due 2017 ⁽⁶⁾
4.13	Registration Rights Agreement between China Cord Blood Corporation and KKR China Healthcare Investment Limited dated April 27, 2012 ⁽⁶⁾
4.14	Director Indemnification Agreement between China Cord Blood Corporation and Julian J. Wolhardt dated April 27, 2012 ⁽⁶⁾
4.15	Indemnification Priority and Information Sharing Agreement between China Cord Blood Corporation and KKR China Healthcare Investment Limited dated as of April 27, 2012 ⁽⁶⁾
4.16	Convertible Note Purchase Agreement between China Cord Blood Corporation and Golden Meditech Holdings Limited dated September 18, 2012 ⁽⁷⁾
4.17	7% Senior Convertible Note issued to Golden Meditech Holdings Limited due 2017 ⁽⁷⁾
4.18	Registration Rights Agreement between China Cord Blood Corporation and Golden Meditech Holdings Limited dated October 3, 2012 ⁽⁷⁾
4.19	Share Purchase Agreement, dated August 15, 2012, between China Cord Blood Corporation and Cordlife Group Limited ⁽⁸⁾
4.20	Shares Repurchase Agreement, dated August 15, 2012, between China Stem Cells (South) Company Limited and Cordlife (Hong Kong) Limited ⁽⁸⁾
4.21	Registration Rights Agreement between China Cord Blood Corporation and Cordlife Group Limited dated November 12, 2012 ⁽⁸⁾
4.22	Director Indemnification Agreement between China Cord Blood Corporation and Jeremy Pinh Yee dated November 12, 2012 ⁽⁸⁾
4.23	Shares Purchase Agreement, dated December 6, 2012, between Favorable Fort Limited and Cordlife Services (S) Pte. Ltd. ⁽⁹⁾
4.24	Summary translation of Guangzhou City Real Estate Purchase Agreement, dated June 28, 2012, between Guangzhou CD Manufacturing Co., Ltd and Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd. ⁽¹⁰⁾
4.25	Summary translation of Hundsun (Hangzhou) Science & Technology Park Property Transfer Agreement, dated January 25, 2013, between Hangzhou Hundsun Baichuan Technology Co., Ltd. and Beijing Jiachenhong Biological Technologies Co., Ltd. ⁽¹⁰⁾
4.26	2011 China Cord Blood Corporation Restricted Share Unit Scheme, as amended ⁽¹¹⁾
4.27	7% Senior Convertible Note issued to Magnum Opus International Holdings Limited due 2017 ⁽¹²⁾

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4.28	<u>7% Senior Convertible Note issued to Cordlife Group Limited due 2017 ⁽¹²⁾</u>
4.29	<u>Deed of Settlement, dated as of December 15, 2014, between Magnum Opus International (PTC) Limited, as the trustee for The Magnum Opus International Trust and China Cord Blood Corporation ⁽¹³⁾</u>
4.30	<u>Subscription Letter, dated as of December 15, 2014, between Magnum Opus International (PTC) Limited, as the trustee for The Magnum Opus International Trust and China Cord Blood Corporation ⁽¹³⁾</u>
4.31	<u>Non-binding proposal letter from Golden Meditech Holdings Limited, dated April 27, 2015 ⁽¹⁴⁾</u>
8.1	<u>List of subsidiaries</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant ⁽¹⁾</u>
12.1	<u>Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended</u>
12.2	<u>Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended</u>
13.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1	<u>Consent of KPMG Huazhen LLP</u>
15.2	<u>Consent of Zhong Lun Law Firm</u>
15.3	<u>Scrip Dividend Scheme</u>
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document

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- (1) Incorporated by reference to the registration statement on Form F-1 of the Registrant (File No. 333-161602).
- (2) Incorporated by reference to the registration statement on Form F-3 of the Registrant (File No. 333-168873).
- (3) Incorporated by reference to the annual report on Form 20-F, filed by the Registrant on September 28, 2011.
- (4) Incorporated by reference to exhibit 99.2 to the report of foreign private issuer on Form 6-K, filed by the Registrant on September 15, 2010.
- (5) Incorporated by reference to Appendix A of exhibit 99.1 to the report of foreign private issuer on Form 6-K, filed by the Registrant on January 18, 2011.
- (6) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on April 30, 2012.
- (7) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on September 18, 2012 and October 3, 2012.
- (8) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on August 15, 2012 and November 13, 2012.
- (9) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on December 6, 2012.
- (10) Incorporated by reference to the annual report on Form 20-F, filed by the Registrant on July 31, 2013.
- (11) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on August 21, 2014.
- (12) Incorporated by reference to the Schedule 13D/A jointly filed by Magnum Opus International Holdings Limited, Cordlife Group Limited and Mr. Yuen Kam on November 10, 2014.
- (13) Incorporated by reference to the Schedule 13D filed by Magnum Opus International (PTC) Limited on February 10, 2015.
- (14) Incorporated by reference to the report of foreign private issuer on Form 6-K filed by the Registrant on April 27, 2015.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GLOBAL CORD BLOOD CORPORATION

July 23, 2018

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer

Report of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Directors
Global Cord Blood Corporation:**

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and subsidiaries (the “Company”) as of March 31, 2017 and 2018, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 23, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2015.

/s/ KPMG Huazhen LLP

Beijing, China

July 23, 2018

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Balance Sheets
(Amounts expressed in thousands)

	Note	March 31,		
		2017	2018	2018
		RMB	RMB	US\$
ASSETS				
Current assets				
Cash and cash equivalents		3,510,264	4,250,610	677,646
Accounts receivable, less allowance for doubtful accounts (March 31, 2017: RMB46,858; March 31, 2018: RMB58,227 (US\$9,283))	3	112,533	107,818	17,188
Inventories	4	30,987	27,718	4,419
Prepaid expenses and other receivables	5	17,524	22,276	3,551
Total current assets		3,671,308	4,408,422	702,804
Property, plant and equipment, net	6	551,434	552,960	88,155
Non-current deposits	7	237,487	233,115	37,164
Non-current accounts receivable, less allowance for doubtful accounts (March 31, 2017: RMB70,744; March 31, 2018: RMB69,713 (US\$11,114))	3	135,148	101,809	16,231
Inventories	4	68,775	71,758	11,440
Intangible assets, net	8	106,686	102,065	16,272
Available-for-sale equity securities	9	200,790	153,882	24,532
Other investment	10	189,129	189,129	30,152
Deferred tax assets	17(c)	22,155	31,295	4,989
Total assets		5,182,912	5,844,435	931,739
LIABILITIES				
Current liabilities				
Convertible notes, net	14	1,031,154	—	—
Accounts payable		11,060	11,372	1,813
Accrued expenses and other payables	12	65,162	73,023	11,641
Deferred revenue	13	323,690	366,373	58,408
Amount due to a related party	20	4,679	—	—
Income tax payable		11,383	17,407	2,775
Total current liabilities		1,447,128	468,175	74,637
Non-current deferred revenue	13	1,569,579	1,874,014	298,762
Other non-current liabilities	12(i)	302,233	362,876	57,851
Deferred tax liabilities	17(c)	21,423	20,628	3,289
Total liabilities		3,340,363	2,725,693	434,539

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Balance Sheets (Continued)
(Amounts expressed in thousands, except share data)

	Note	March 31,		
		2017	2018	2018
		RMB	RMB	US\$
EQUITY				
Shareholders' equity of Global Cord Blood Corporation				
Ordinary shares				
- US\$0.0001 par value, 250,000,000 shares authorized, 73,140,147 shares issued and 73,003,248 shares outstanding as of March 31, 2017 and 120,961,641 shares issued and 120,824,742 shares outstanding as of March 31, 2018				
	15(a)	50	83	13
Additional paid-in capital				
		936,417	2,053,866	327,434
Treasury stock, at cost (March 31, 2017 and 2018: 136,899 shares, respectively)				
	15(c)	(2,815)	(2,815)	(449)
Accumulated other comprehensive income/(loss)				
		24,428	(54,654)	(8,713)
Retained earnings				
		879,775	1,116,873	178,056
Total equity attributable to Global Cord Blood Corporation		1,837,855	3,113,353	496,341
Non-controlling interests				
		4,694	5,389	859
Total equity		1,842,549	3,118,742	497,200
Commitments and contingencies				
	24	—	—	—
Total liabilities and equity		5,182,912	5,844,435	931,739

See accompanying notes to the consolidated financial statements.

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Statements of Comprehensive Income
(Amounts expressed in thousands, except per share data)

	Note	Year ended March 31,			
		2016 RMB	2017 RMB	2018 RMB	2018 US\$
Revenues	16	662,999	759,978	936,768	149,343
Direct costs	20(vi)	(144,598)	(142,640)	(181,483)	(28,933)
Gross profit		518,401	617,338	755,285	120,410
Operating (expenses)/income, net					
Research and development		(8,964)	(10,367)	(12,718)	(2,028)
Sales and marketing		(148,155)	(178,482)	(219,202)	(34,945)
General and administrative		(169,952)	(189,940)	(243,502)	(38,819)
Other operating income from a related party	20(vii)	—	26,316	—	—
Total operating expenses, net		(327,071)	(352,473)	(475,422)	(75,792)
Operating income		191,330	264,865	279,863	44,618
Other (expenses)/income, net					
Interest income		18,218	17,416	21,936	3,497
Interest expense		(107,967)	(119,418)	(3,257)	(519)
Foreign currency exchange (losses)/gains		(972)	(38)	133	21
Dividend income	9 & 10	49,198	45	634	101
Impairment loss on available-for-sale equity securities	9	(8,361)	(2,533)	—	—
Others		(113)	5,974	4,226	673
Total other (expenses)/income, net		(49,997)	(98,554)	23,672	3,773
Income before income tax		141,333	166,311	303,535	48,391
Income tax expense	17(a)	(50,000)	(37,622)	(62,656)	(9,989)
Net income		91,333	128,689	240,879	38,402
Net income attributable to non-controlling interests		(363)	(2,499)	(3,781)	(603)
Net income attributable to Global Cord Blood Corporation's shareholders		90,970	126,190	237,098	37,799
Earnings per share:					
- Basic	19	1.25	1.59	2.10	0.33
- Diluted		1.25	1.59	1.99	0.32

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Statements of Comprehensive Income (Continued)
(Amounts expressed in thousands)

	Year ended March 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
Other comprehensive income/(losses), net of nil income taxes				
- Foreign currency translation adjustments	(19,124)	(22,309)	(49,630)	(7,912)
- Unrealized holding gains/(losses) in available-for-sale equity securities				
- Unrealized holding gains/(losses) arising during the year	32,312	(40,575)	(29,619)	(4,722)
- Reclassification adjustment for loss included in net income	8,361	2,533	167	27
Total other comprehensive income/(losses)	21,549	(60,351)	(79,082)	(12,607)
Comprehensive income	112,882	68,338	161,797	25,795
Comprehensive income attributable to non-controlling interests	(363)	(2,499)	(3,781)	(603)
Comprehensive income attributable to Global Cord Blood Corporation's shareholders	112,519	65,839	158,016	25,192

See accompanying notes to the consolidated financial statements.

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Statements of Changes in Equity
(Amounts expressed in thousands, except share data)

	Global Cord Blood Corporation shareholders									
	Note	Share capital		Additional paid-in capital RMB	Treasury stock		Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Non-controlling interests RMB	Total equity RMB
		No. of shares	Amount RMB		No. of shares	Amount RMB				
Balance as of March 31, 2015		73,140,147	50	814,678	(136,899)	(2,815)	63,230	662,615	5,455	1,543,213
Net income		—	—	—	—	—	—	90,970	363	91,333
Other comprehensive income		—	—	—	—	—	21,549	—	—	21,549
Share-based compensation	18	—	—	58,976	—	—	—	—	—	58,976
Dividend declared to holder of non-controlling interests		—	—	—	—	—	—	—	(1,646)	(1,646)
Balance as of March 31, 2016		73,140,147	50	873,654	(136,899)	(2,815)	84,779	753,585	4,172	1,713,425
Net income		—	—	—	—	—	—	126,190	2,499	128,689
Other comprehensive losses		—	—	—	—	—	(60,351)	—	—	(60,351)
Share-based compensation	18	—	—	62,763	—	—	—	—	—	62,763
Dividend declared to holder of non-controlling interests		—	—	—	—	—	—	—	(1,977)	(1,977)
Balance as of March 31, 2017		73,140,147	50	936,417	(136,899)	(2,815)	24,428	879,775	4,694	1,842,549
Net income		—	—	—	—	—	—	237,098	3,781	240,879
Other comprehensive losses		—	—	—	—	—	(79,082)	—	—	(79,082)
Share-based compensation	18	—	—	83,322	—	—	—	—	—	83,322
Issuance of shares upon conversion of convertible notes	15(a)	40,521,494	28	1,034,132	—	—	—	—	—	1,034,160
Vesting of restricted share units scheme	15(a)	7,300,000	5	(5)	—	—	—	—	—	—
Dividend declared to holder of non-controlling interests		—	—	—	—	—	—	—	(3,086)	(3,086)
Balance as of March 31, 2018		<u>120,961,641</u>	<u>83</u>	<u>2,053,866</u>	<u>(136,899)</u>	<u>(2,815)</u>	<u>(54,654)</u>	<u>1,116,873</u>	<u>5,389</u>	<u>3,118,742</u>
Balance as of March 31, 2018 - US\$			<u>\$ 13</u>	<u>\$ 327,434</u>		<u>\$ (449)</u>	<u>\$ (8,713)</u>	<u>\$ 178,056</u>	<u>\$ 859</u>	<u>\$ 497,200</u>

See accompanying notes to the consolidated financial statements.

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Statements of Cash Flows
(Amounts expressed in thousands)

	Note	Year ended March 31,			
		2016 RMB	2017 RMB	2018 RMB	2018 US\$
Operating activities:					
Net income		91,333	128,689	240,879	38,402
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Gain on disposal of property, plant and equipment		(87)	(223)	(828)	(132)
Depreciation of property, plant and equipment	6	45,545	45,860	45,969	7,329
Amortization of intangible assets	8	4,621	4,621	4,621	737
Deferred income taxes	17(a)	(1,060)	(21,145)	(9,935)	(1,584)
Provision for doubtful accounts	3(c)	20,251	29,574	31,716	5,056
Interest on convertible notes		49,995	59,528	1,023	163
Amortization of debt issuance costs	14	3,712	3,947	690	110
Share-based compensation	18	58,684	62,241	84,268	13,434
Loss on trading securities		515	—	—	—
Impairment loss on available-for-sale equity securities	9	8,361	2,533	—	—
Loss on disposal of available-for-sale equity securities		—	—	167	27
<i>Changes in operating assets and liabilities:</i>					
Trading securities		7,450	—	—	—
Accounts receivable		5,093	12,401	6,338	1,010
Inventories		(10,621)	(7,114)	286	46
Prepaid expenses and other receivables		(4,789)	7,023	(4,316)	(688)
Non-current deposits		11	12	9	1
Accounts payable		575	(991)	312	50
Accrued expenses and other payables		(28,866)	(2,541)	8,227	1,311
Deferred revenue		259,392	314,338	347,118	55,338
Amounts due to related parties		31,882	(49,879)	(4,679)	(746)
Income tax payable		(1,557)	2,859	6,024	960
Other non-current liabilities		40,557	45,899	60,873	9,704
Net cash provided by operating activities		580,997	637,632	818,762	130,528
Investing activities:					
Purchase of property, plant and equipment		(16,630)	(24,693)	(67,066)	(10,692)
Proceeds from disposal of property, plant and equipment		150	272	372	59
Acquisition of available-for-sale equity securities	9	—	(66,154)	—	—
Proceeds from disposal of available-for-sale equity securities	9	—	—	217	35
Net cash used in investing activities		(16,480)	(90,575)	(66,477)	(10,598)
Financing activities:					
Repayment of bank loan	11	(60,000)	(60,000)	—	—
Proceeds from bank loan	11	60,000	—	—	—
Payment for dividends to holder of non-controlling interests		(1,646)	—	(2,015)	(321)
Net cash used in financing activities		(1,646)	(60,000)	(2,015)	(321)

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
(Amounts expressed in thousands)

	Year ended March 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
Effect of foreign currency exchange rate change on cash and cash equivalents	8,896	14,785	(9,924)	(1,582)
Net increase in cash and cash equivalents	571,767	501,842	740,346	118,027
Cash and cash equivalents at beginning of year	2,436,655	3,008,422	3,510,264	559,619
Cash and cash equivalents at end of year	3,008,422	3,510,264	4,250,610	677,646
Non-cash investing activity:				
Payable for property, plant and equipment	235	572	—	—
Supplemental disclosures of cash flow information:				
Cash paid during the year for income taxes	52,967	57,506	66,567	10,612
Cash refund during the year for income taxes	350	1,598	—	—
Cash paid for interest	49,572	94,057	1,537	245

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements
(Amounts expressed in thousands, except share data)

1 Principal activities, reorganization and reverse recapitalization, and basis of presentation

(a) Principal activities

Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the provision of umbilical cord blood storage and ancillary services in the People’s Republic of China (the “PRC”). As of March 31, 2018, the Group has three operating cord blood banks in the Beijing municipality, the Guangdong province and the Zhejiang province, the PRC. The Company’s shares are listed on the New York Stock Exchange (the “NYSE”).

The Group provides cord blood testing, processing and storage services under the direction of subscribers for a cord blood processing fee and a storage fee. The Group also tests, processes and stores donated cord blood, and provides matching services to the public for a fee.

The operation of cord blood banks in the PRC is regulated by certain laws and regulations. Due to the lack of a consistent and well-developed regulatory framework, operation in the cord blood banking industry in the PRC involves significant ambiguities, uncertainties and risks. The industry is highly regulated and any unilateral changes in regulations by the authorities may have a significant adverse impact on the Group’s results of operations.

(b) Reorganization and reverse recapitalization

The Company was formerly known as Pantheon China Acquisition Corp. (“Pantheon”), a blank check company whose objective was to acquire, through a stock exchange, asset acquisition or other similar business combination, an operating business that has its principal operations located in the PRC, or control such operating business through contractual arrangements.

On November 3, 2008, China Cord Blood Services Corporation (“CCBS”) and its shareholders executed a Share Exchange Agreement with the Company. Pursuant to the Share Exchange Agreement, shareholders of CCBS were entitled to exchange their shares in CCBS for up to 57,851,240 shares of common stock of the Company. Shareholders holding 100% and 76% of CCBS’s ordinary shares and redeemable ordinary shares (collectively the “Participating Shareholders”), respectively, executed the Share Exchange Agreement and agreed to sell their 93.94% equity interests in CCBS to the Company for a consideration of US\$328,790 in exchange for 54,345,104 shares of common stock of the Company (valued at US\$6.05 per share of common stock) (the “Share Exchange”).

The Share Exchange was approved at the Company’s special meeting of shareholders held on June 29, 2009 and was completed on June 30, 2009. Upon completion of the Share Exchange, the Company was renamed China Cord Blood Corporation and the Company was redomiciled to the Cayman Islands.

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The 54,345,104 shares of common stock of the Company held by the Participating Shareholders represent 91.7% of the then outstanding shares of the Company upon completion of the Share Exchange. Further, management of CCBS continued as the majority of the senior management of the Company upon completion of the Share Exchange. CCBS was therefore treated as the accounting acquirer in the Share Exchange. Prior to the Share Exchange, the Company did not operate a business. The Share Exchange was thus accounted for as the issuance of securities by CCBS in exchange for the assets and liabilities of Pantheon, accompanied by a recapitalization to utilize the share structure of Pantheon as the legal acquirer.

In August 2009, the Company entered into agreements to exchange 3,506,136 of its newly issued ordinary shares for the remaining 24% of redeemable shares of CCBS held by shareholders who previously elected not to participate in the Share Exchange, on terms substantially similar to those of the Share Exchange. Upon the completion of such exchange, all the remaining redeemable ordinary shares of CCBS converted into ordinary shares of the Company, which carry no redemption rights, and CCBS became a wholly owned subsidiary of the Company.

CCBS was incorporated in the Cayman Islands in January 2008 under the Cayman Islands Companies Law as an exempted company with limited liability. CCBS was incorporated as part of the reorganization of China Stem Cells Holdings Limited (“CSC Holdings”), which had two main operating subsidiaries in the PRC, Beijing Jiachenhong Biological Technologies Co., Ltd. (“Beijing Jiachenhong”) and Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd. (“Guangzhou Nuoya”) at the time of the reorganization.

Beijing Jiachenhong was established under the laws of the PRC in June 2001 as a domestic limited liability company. It became a Sino-Foreign Investment Enterprise in September 2003 and became a Wholly Foreign Owned Enterprise (“WFOE”) in March 2005. Beijing Jiachenhong is engaged in the provision of umbilical cord blood storage and ancillary services in the Beijing municipality, the PRC.

In May 2007, China Stem Cells (South) Company Limited (“CSC South”), a then 90% subsidiary of the Company, acquired the entire equity interest of Guangzhou Nuoya for consideration of RMB30,949. Guangzhou Nuoya was established under the laws of the PRC in June 1997 as a domestic limited liability company. It became a WFOE in May 2007. Guangzhou Nuoya has been granted the right to operate cord blood banks in the Guangdong province, the PRC. In November 2012, CSC South repurchased 10% of its shares from Cordlife (Hong Kong) Limited, a subsidiary of Cordlife Group Limited (“CGL”), at a consideration of US\$16,800. The shares repurchased were subsequently cancelled. The difference between the consideration paid and the carrying amount of non-controlling interest equal to RMB70,774 at the repurchase date was charged to additional paid-in capital. Concurrently, CGL acquired 7,314,015 shares, which were held by the Company as treasury stock (representing 10% of the Company’s ordinary shares at the time of the transaction) at a consideration of US\$20,800. The difference between the consideration received from sale of the shares over the cost of the treasury shares equal to RMB3,341 was credited to additional paid-in capital. As a result, the Company received a net proceed of US\$4,000 (RMB25,320) from the above two transactions and CSC South and its subsidiary became wholly owned subsidiaries of the Company.

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In December 2010, a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd. (“Zhejiang Lukou”), was established. The Group holds a 90% equity interest in Zhejiang Lukou through capital injection of RMB45,000, while the non-controlling shareholders contributed plant and equipment with fair value of RMB5,000 in return for the remaining 10% equity interests. In February 2011, the Group acquired the right to operate the cord blood bank in the Zhejiang province, the PRC, from a third party at a consideration of US\$12,500 (equivalent to RMB82,124 (Note 8)).

On March 16, 2018, the shareholders of the Company approved the change of the Company name from “China Cord Blood Corporation” to “Global Cord Blood Corporation” through an extraordinary general meeting to better reflect the future development direction and business strategy of the Company. The Company’s ordinary shares commenced trading under the new name on the NYSE with effect from March 22, 2018.

(c) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). This basis of accounting differs in certain material respects from that used for the preparation of the statutory books of the Company’s consolidated subsidiaries, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable in the place of domicile of the respective entities in the Group. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the statutory books of account of the Company’s consolidated subsidiaries to present them in conformity with U.S. GAAP.

2 Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its consolidated subsidiaries. For consolidated subsidiaries where the Company’s ownership is less than 100%, the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company, are presented as non-controlling interests. All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Use of estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the estimate of selling price for individual deliverables in multiple-element revenue arrangements, the estimated number of successful match units over the estimated weighted average remaining useful life of donated cord blood units, the useful lives of property, plant and equipment and intangible assets, the recoverability of property, plant and equipment and intangible assets, the collectibility of accounts receivables, the realizability of inventories and deferred tax assets and the fair values of share-based compensation.

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(c) Foreign currency transactions and translation

The reporting currency of the Company is Renminbi (“RMB”).

The functional currency of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou is RMB and the functional currency of the Company is United States dollars (“US\$”). The functional currencies of subsidiaries of the Company outside the PRC are either US\$ or Hong Kong dollars.

Transactions of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People’s Bank of China (the “PBOC”) prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet date. The resulting exchange differences are recorded in foreign currency exchange gains/(losses) in the consolidated statements of comprehensive income.

Transactions of the Company and subsidiaries outside the PRC denominated in currencies other than their functional currencies are translated into their functional currencies at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into their functional currencies using the applicable exchange rates at the balance sheet date. The resulting exchange differences are recorded in foreign currency exchange gains/(losses) in the consolidated statements of comprehensive income.

Assets and liabilities of the Company and subsidiaries outside the PRC are translated into RMB using the exchange rate at the balance sheet date. Revenues and expenses are translated at the average exchange rates prevailing during the year. The adjustments resulting from translation of financial statements of the Company and subsidiaries outside the PRC are recorded as a separate component of accumulated other comprehensive income within shareholders’ equity.

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the PBOC or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC.

For the convenience of the readers, certain amounts as of and for the year ended March 31, 2018 included in the accompanying consolidated financial statements have been translated into U.S. dollars at the rate of US\$1.00 = RMB6.2726, being the spot exchange rate of U.S. dollars in effect on March 30, 2018 for cable transfers in RMB per U.S. dollar as certified for customs purposes by the Federal Reserve, the central bank of the United States of America. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at that rate or at any other rate on March 30, 2018 or at any other date. The U.S. dollars convenience translation is not required under U.S. GAAP and all U.S. dollars convenience translation amounts in the accompanying consolidated financial statements are unaudited.

(d) Cash and cash equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents of the Group are mainly maintained in the PRC and are denominated in several currencies. As of March 31, 2017 and 2018, cash and cash equivalents maintained in the PRC amounted to RMB3,432,022 and RMB4,175,205 (US\$665,626), respectively. The Group’s cash and cash equivalents denominated in U.S. dollars, Australian dollars, Renminbi, Hong Kong dollars and Singapore dollars are as follows:

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	March 31,			
	2017		2018	
	Original currency	RMB	Original currency	RMB
U.S. dollars	5,707	39,476	3,332	20,800
Australian dollars	1	6	1	5
Renminbi	3,432,042	3,432,042	4,175,223	4,175,223
Hong Kong dollars	43,679	38,735	67,439	53,964
Singapore dollars	1	5	129	618

Cash and cash equivalents held at financial institutions located in the PRC and Hong Kong are insured up to certain amount. Management believes that these major financial institutions have high credit ratings.

(e) Investment securities

Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates such designations at each reporting date.

Trading securities are recorded at fair value. Realized and unrealized holding gains and losses, net of the related tax effect, on trading securities are included in earnings.

Available-for-sale equity securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale equity securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale equity securities are determined on a specific-identification basis. Where the fair value of an investment in equity securities is not readily determinable, the investment is stated at cost.

A decline in the market value of available-for-sale securities that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. In determining whether an impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Dividend income is recognized in other income when earned.

(f) Accounts receivable

Accounts receivable represent amounts due from subscribers for cord blood processing and storage services, which are recognized in accordance with the Company's revenue recognition policies (Note 2(k)). Installments receivable from subscribers which are due for repayment in over one year under the deferred payment option are classified as non-current accounts receivable. Accounts receivable are stated net of allowance for doubtful accounts.

The allowance for doubtful accounts is the Group's best estimate of losses in the Group's accounts receivable, which is determined based on historical write-off experience, customer specific facts and economic conditions.

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The Group reviews its allowances for doubtful accounts quarterly. Outstanding account balances are reviewed on a pooled basis by ageing of such balances. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group's PRC subsidiaries are required to comply with local tax requirements on the write-offs of doubtful accounts, which allow for such write-offs only when the related account balances are aged over three years and sufficient evidence is available to prove the debtor's inability to make payments. For financial reporting purposes, the Company's PRC subsidiaries generally record write-offs of doubtful accounts at the same time the local tax requirements for the write-offs are met. As a result, there are generally time lags between the time when a provision for doubtful accounts is recorded and the time the doubtful accounts are written off against the related allowance. The Group does not have any off-balance-sheet credit exposure related to its customers.

(g) Inventories

The Group collects, tests, freezes and stores donated umbilical cord blood for future transplantation or research purposes in return for a fee. Collection, testing and processing costs attributable to the processing of donated umbilical cord blood are capitalized as inventories, stated at the lower of cost or net realizable value on a weighted-average basis, and recognized as direct costs when revenue is recognized when the cord blood unit is delivered and the risk of loss is transferred to the recipient. Cost comprises direct materials, direct labor and an allocation of production overheads. Inventories that are not expected to be realized within 12 months from the balance sheet date are classified as non-current assets. Consumables and supplies are classified as current assets.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation on property, plant and equipment is calculated based on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

Buildings	37.5 - 50 years
Leasehold improvements	Shorter of the lease term or estimated useful lives of 10 years
Machineries	5 - 10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 - 5 years

No depreciation expense is provided in respect of construction-in-progress.

Interest expense incurred related to the construction of property, plant and equipment is capitalized. The capitalization of interest expense as part of the cost of a qualifying asset commences when expenditures for the asset have been made, activities that are necessary to get the asset ready for its intended use are in progress and interest cost is being incurred. The capitalization period ends when the asset is substantially complete and ready for its intended use.

Depreciation of property, plant and equipment attributable to the processing of donated umbilical cord blood for future transplantation is capitalized as part of inventories, and is expensed to direct costs when the cord blood unit is delivered and the risk of loss is transferred to the recipient.

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(i) Intangible assets

Intangible assets represent the operating rights to operate cord blood bank and are stated at the fair value on the date of acquisition less accumulated amortization. Where payment for an operating right is non-deductible for tax purpose, the simultaneous equations method is used to record the assigned value of the asset and the related deferred tax liability, such that the carrying amount of the asset upon initial recognition less deferred tax liability recognized equals the amount paid for the asset. Amortization expenses are recognized on a straight-line basis over the estimated useful life of the operating rights of 30 years.

(j) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flows models, quoted market values and third-party independent appraisals, as considered necessary. No impairment of long-lived assets was recognized for the years ended March 31, 2016, 2017 and 2018.

(k) Revenue recognition

The Group receives fees for collecting, testing, freezing and storing of cord blood units. Once the cord blood units are collected, tested, screened and successfully meet all of the required attributes, the Group freezes the units and stores them in a cryogenic freezer. Under the cord blood processing and storage agreement (“Agreement”) signed with the customer, the Group charges separate processing fee and storage fees to the customer and such Agreement typically provides for a storage period of eighteen years with successive one-year renewal periods after eighteen years.

The Agreement is a multiple-element arrangement, which includes (i) the processing of cord blood unit and (ii) the storage of cord blood unit. The Group accounts for the arrangement under the ASC 605-25, *Revenue Recognition — Multiple-Element Arrangements*. In accordance with ASC 605-25, revenue arrangements that include multiple elements are analyzed to determine whether the deliverables can be divided into separate units of accounting or treated as a single unit of accounting. The consideration received is allocated among the separate units of accounting based on their relative selling prices determined based on prices of these elements as sold on a stand-alone basis, and the applicable revenue recognition criteria are applied to each of the separate units. In an arrangement with multiple deliverables, the delivered product or service shall be considered a separate unit of accounting when the following criteria are met: (1) the delivered item or items have value to the customer on a standalone basis; and (2) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item or items is considered probable and substantially in the control of the Group. Based on evaluation of the criteria, the Group has determined that the cord blood processing services and cord blood storage services are separate units.

Pursuant to the Agreement, no penalty is charged to customers for early termination of the cord blood storage service.

The Group considers all reasonably available information to allocate the overall arrangement fee to cord blood processing and cord blood storage services based on their relative selling prices.

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The Group recognizes processing fee revenue upon successful completion of processing services and when the cord blood unit meets all the required attributes for storage, and recognizes the storage fee revenues ratably over the annual storage period.

During the years ended March 31, 2016, 2017 and 2018, the Group offered its customers three payment options:

- (i) Payment of the processing fee upon delivery of the cord blood unit to the Group's premises for processing and the annual storage fee in advance at the beginning of each one-year renewal period;
- (ii) Payment of the processing fee upon delivery of the cord blood unit to the Group's premises for processing and an upfront payment of storage fees for a period of eighteen years; and
- (iii) Payment of the processing fee by installment over multiple periods and the annual storage fee in advance at the beginning of each one-year renewal period or an upfront payment of storage fees for a period of eighteen years paid by four installments. Certain installment option includes an initial processing fee payment upon delivery of the cord blood unit to the Group's premises for processing and an incremental annual payment for the consecutive periods, representing a surcharge to the total amount of processing fees payable under payment options (i) and (ii).

Under payment option (iii), installments due for payment beyond one year are classified as non-current accounts receivable, and the revenue is recorded at the present value of the payments. The difference between the present value of the receivable and the nominal or principal value of the processing fee is recognized as interest income over the contractual repayment period using the effective interest rate method. The interest rate used to determine the present value of total amount receivable is the rate at which the subscribers can obtain financing of a similar nature from other sources at the date of the transaction.

The recognition of storage revenue is ceased when the collectability of the storage fees from the customers is not reasonably assured due to delinquency of payment by the customers. During the years ended March 31, 2016, 2017 and 2018, the Group ceased recognizing storage revenue from subscribers who were delinquent for more than 24 months.

Fees derived from the provision of donated cord blood for transplantation and research are recognized when the cord blood unit is delivered and the risk of loss is transferred to the recipient.

The Group's revenues are net of value-added tax collected on behalf of tax authorities at 6% on the invoiced amount in respect of the services rendered.

(l) Research and development costs

Research and development costs are incurred for research activities conducted to enhance collection and storage technologies, and measures to improve the results in umbilical cord blood stem cells extraction and separation. They also include research expenses on the use of cord blood stem cells in different medical treatments. Research and development costs are expensed as incurred.

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(m) Advertising costs

Advertising costs are expensed as incurred and included in sales and marketing expenses in the consolidated statements of comprehensive income in the amount of RMB35,477, RMB32,331 and RMB37,424 (US\$5,966) for the years ended March 31, 2016, 2017 and 2018, respectively.

(n) Employee benefits

Contributions to employee benefits (which are defined contribution plans) are charged to the consolidated statements of comprehensive income when the related employee service is provided. The Group does not have any defined benefit plans.

(o) Debt issuance costs

Costs incurred by the Company that are directly attributable to the issuance of the convertible notes are deferred and charged to the consolidated statements of comprehensive income using an effective interest rate method from the date the convertible notes were issued to the earliest date the holders of the convertible notes can demand payment, which is five years.

(p) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases, tax loss carry forwards and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of comprehensive income in the period that includes the enactment date.

The Group recognizes in the consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of comprehensive income.

A deferred tax liability is not recognized for the excess of the Company's financial statements carrying amount over the tax base of its investment in a foreign subsidiary, if the subsidiary has invested or will invest the undistributed earnings indefinitely.

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(q) Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims that relate to a wide range of matters, including, among others, product liability. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(r) Earnings per share

Basic earnings per ordinary share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income attributable to ordinary shareholders is allocated between ordinary shares and participating securities based on contractual participating rights of security to share in undistributed earnings as if all of the earnings had been distributed.

Diluted earnings per share is computed by dividing net income attributable to ordinary shareholders, as adjusted to exclude any income or expenses related to dilutive ordinary equivalents shares by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the period. Dilutive potential ordinary shares consist of (i) the ordinary shares issuable upon the conversion of the convertible notes applying the if-converted method; and (ii) the ordinary shares issuable upon the vesting of the restricted share units (“RSU”) scheme applying the treasury stock method. Dilutive potential ordinary shares in the diluted earnings per share computation are excluded to the extent that their effect is anti-dilutive.

(s) Share-based compensation

The Group recognizes share-based payments as compensation cost and measures such cost based on the grant date fair value of the equity instrument issued. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

(t) Segment reporting

The Group has one operating segment, as defined by ASC 280, *Segment Reporting*, which is processing and storage of cord blood units. All of the Group’s operations and customers are located in the PRC. Consequently, no geographic information is presented.

(u) Fair value measurement

The Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

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- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

See Note 22 to the consolidated financial statements.

(v) Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”) to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This guidance was effective for annual reporting and interim periods beginning after December 15, 2016 with early adoption not permitted. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (“ASU 2015-14”), which amends ASU 2014-09 and defers its effective date to fiscal years and interim reporting periods beginning after December 15, 2017. ASU 2015-14 permits earlier application only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption (modified retrospective method). The Company plans to apply the modified retrospective method to those contracts that are not completed contracts on April 1, 2018 upon the adoption of ASU 2014-09. The Company expects that there will be no impact on the retained earnings as of April 1, 2018 and no material impact on its consolidated financial statements and related disclosures as a result of the new adoption of this guidance.

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In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), which amends certain aspects of recognition, measurement, presentation and disclosure of financial statements. ASU 2016-01 requires all equity investments to be measured at fair value with changes in fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investees). ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. To further clarify ASU 2016-01, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2018-03”), in February 2018. ASU 2018-03 requires application of a prospective transition approach only for those equity investments for which the new measurement alternative is being applied. Additionally, if an entity voluntarily discontinues using the measurement alternative, the investment and all identical or similar investments of the same issuer must be measured at fair value. Public business entities with fiscal years beginning between December 15, 2017, and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018. Early adoption is permitted. For the available-for-sale securities that are accounted for under the fair value method, the adoption of these amendments should be by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company anticipates that the adoption of this amendment will increase certain level of volatility of its other income/expense, net, as a result of the remeasurement of its equity securities.

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. ASU 2016-02 also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. ASU 2016-02 is effective for publicly-traded companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326)* (“ASU 2016-13”), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

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In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (“ASU 2017-01”), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. ASU 2017-01 should be applied prospectively on or after the effective date. The Company does not expect the adoption of this standard will have material impact on its consolidated financial statements.

3 Accounts receivable, net

(a) Accounts receivable consist of the following:

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
Accounts receivable	365,283	337,567	53,816
Less: Allowance for doubtful accounts	(117,602)	(127,940)	(20,397)
Total accounts receivable, net	247,681	209,627	33,419
Representing:			
<i>Current portion:</i>			
- Processing fees	71,343	71,476	11,394
- Storage fees	39,904	35,001	5,580
- Others	1,286	1,341	214
	112,533	107,818	17,188
<i>Non-current portion:</i>			
- Processing fees	135,148	101,809	16,231
Total accounts receivable, net	247,681	209,627	33,419

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Non-current accounts receivable as of March 31, 2018 are due for payment as follows:

	March 31, 2018	
	RMB	US\$
Fiscal years ending March 31,		
2020	28,768	4,586
2021	26,132	4,166
2022	24,046	3,833
2023	23,385	3,728
2024 and thereafter	98,343	15,679
	<u>200,674</u>	<u>31,992</u>
Less: Unearned interest	(29,152)	(4,647)
Total non-current accounts receivable	<u>171,522</u>	<u>27,345</u>

(b) *An aging analysis of accounts receivable based on due date is as follows:*

	March 31,		
	2017 RMB	2018 RMB	2018 US\$
Not past due	248,865	210,009	33,480
Within one year past due	38,431	34,366	5,479
Between one to two years past due	35,556	35,742	5,698
Over two years past due	42,431	57,450	9,159
Total accounts receivable	<u>365,283</u>	<u>337,567</u>	<u>53,816</u>

(c) *An analysis of the allowance for doubtful accounts is as follows:*

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
Balance at beginning of year	83,835	100,894	117,602	18,749
Charged to allowance for doubtful accounts	20,251	29,574	31,716	5,056
Write-off charged against the allowance for the year	(3,192)	(12,866)	(21,378)	(3,408)
Balance at end of year	<u>100,894</u>	<u>117,602</u>	<u>127,940</u>	<u>20,397</u>

[Table of Contents](#)**4 Inventories**

Inventories consist of the following:

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
<i>Current portion:</i>			
- Consumables and supplies	30,987	27,718	4,419
<i>Non-current portion:</i>			
- Processing costs capitalized in donated umbilical cord blood	68,775	71,758	11,440
Total current and non-current inventories	99,762	99,476	15,859

Collection, testing and processing costs attributable to the processing of donated umbilical cord blood are capitalized as inventories. Management assesses the recoverability of such inventories with reference to future projections of matching fees, number of donated cord blood units of the Group, demand for cord blood units for transplantation and research purposes, and the probability of finding a match in light of the number of units held. Based on such assessments, the management considers that the cord blood processing costs capitalized are recoverable and no write-down for inventories was made during the years ended March 31, 2016, 2017 and 2018.

The Group recognizes the revenue for one matched donated umbilical cord blood unit upon delivery of the unit and recognizes the cost of the cord blood unit equal to the carrying amount of the total inventory (donated umbilical cord blood units) divided by the estimated future number of successful matches which would become realized through sales during the estimated weighted average remaining useful life of the donated umbilical cord blood unit. As of March 31, 2018, the weighted average remaining useful life of the donated umbilical cord blood units was estimated to be approximately 18 years. Based on the historical increase in the number of donated umbilical cord blood matching inquiries and the number of successful matches of donated umbilical cord blood units, the Group estimated the number of successful matches of donated umbilical cord blood units will increase by 7% per annum. There were no material changes to the estimates and assumptions underlying the methodology for the years ended March 31, 2016, 2017 and 2018.

5 Prepaid expenses and other receivables

Prepaid expenses and other receivables consist of the following:

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
Prepaid expenses	12,257	13,060	2,082
VAT tax receivables	1,036	2,062	329
Other receivables	4,231	7,154	1,140
Total prepaid expenses and other receivables	17,524	22,276	3,551

Other receivables mainly include advance payments to employees and current rental deposits.

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6 Property, plant and equipment, net

Property, plant and equipment, net consist of the following:

	March 31,		
	2017 RMB	2018 RMB	2018 US\$
Buildings	593,369	598,832	95,468
Leasehold improvements	14,864	14,864	2,370
Machineries	154,359	167,310	26,673
Motor vehicles	17,152	18,210	2,903
Furniture, fixtures and equipment	44,266	50,940	8,121
Construction-in-progress	2,806	10,931	1,743
	<u>826,816</u>	<u>861,087</u>	<u>137,278</u>
Less: Accumulated depreciation	(275,382)	(308,127)	(49,123)
Total property, plant and equipment, net	<u>551,434</u>	<u>552,960</u>	<u>88,155</u>

Depreciation expense of property, plant and equipment is allocated to the following expense items:

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
Direct costs	29,812	29,883	30,055	4,792
Research and development	1,118	1,372	1,138	181
Sales and marketing	3,070	3,051	3,217	513
General and administrative	11,545	11,554	11,559	1,843
Total depreciation expense	<u>45,545</u>	<u>45,860</u>	<u>45,969</u>	<u>7,329</u>

7 Non-current deposits

Non-current deposits consist of the following:

	Note	March 31,		
		2017 RMB	2018 RMB	2018 US\$
Investment deposit	(i)	232,824	210,088	33,493
Deposit for purchase of machineries		4,663	23,027	3,671
Total non-current deposits		<u>237,487</u>	<u>233,115</u>	<u>37,164</u>

Note:

- (i) The Group previously entered into a Letter of Intent with a third party (the “Potential Seller”) for a potential acquisition of the equity interests in a company in the healthcare industry with a refundable earnest money deposit of US\$33,660. Due to the change in circumstances, the parties entered into a subsequent agreement in May 2017 regarding the return of the earnest money deposit, with the Potential Seller providing a performance guarantee to the Company.

8 Intangible assets, net

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
Cord blood bank operating rights	138,628	138,628	22,101
Less: Accumulated amortization	(31,942)	(36,563)	(5,829)
Total intangible assets, net	<u>106,686</u>	<u>102,065</u>	<u>16,272</u>

Intangible assets represent the cord blood bank operating rights in the Guangdong province and the Zhejiang province, the PRC.

The cord blood bank operating right in the Guangdong province was acquired through the acquisition of Guangzhou Nuoya in May 2007. The estimated useful life of the operating right is thirty years. Amortization expenses of the operating right in the Guangdong province were RMB971, RMB971 and RMB971 (US\$155) for the years ended March 31, 2016, 2017 and 2018, respectively. The operating right is subject to renewal and the next renewal is due in May 2021.

In February 2011, the Group acquired the right to operate the cord blood bank in the Zhejiang province from a third party for cash consideration of US\$12,500 (equivalent to RMB82,124). Payment for the operating right is non-deductible for tax purpose. The simultaneous equations method is used to record the assigned value of the asset of RMB109,499 and a related deferred tax liability of RMB27,375 (Note 17(c)), in accordance with the guidance in ASC 740-10-25-51, such that the carrying amount of the asset upon initial recognition less the related deferred tax liability equals the cash consideration paid. The estimated useful life of the Zhejiang operating right is thirty years. Amortization expenses were RMB3,650, RMB3,650 and RMB3,650 (US\$582) for the years ended March 31, 2016, 2017 and 2018, respectively. The operating right is subject to renewal and the next renewal is due in September 2019.

The Group determined that a thirty-year period as useful life of the cord blood bank operating rights to be appropriate, following the pattern in which the expected benefits of the asset will be consumed or otherwise used up. The Group's renewal period with the provincial governmental authorities generally is every three (for cord blood banks in Guangdong and Zhejiang) or nine (for cord blood bank in Beijing) years. The Group has historically renewed cord blood bank operating rights without incurring any significant costs. There are no other legal or regulatory provisions that limit the useful life of the cord blood bank operating rights or that cause the cash flows and useful life of such cord blood bank operating rights to be constrained. In addition, the Group expects the effect of obsolescence, demand, competition, and other economic factors to be minimal.

The Group engaged independent third-party valuation firms in determining the fair values of the cord blood bank operating rights during the acquisitions. The fair values of the cord blood bank operating rights were determined using an income approach and considered assumptions (including turnover rate) that a market participant would make consistent with the highest and best use of the asset by market participants. The periods of expected cash flows used to measure the fair values of the cord blood bank operating rights were thirty years. Without evidence to the contrary, the Group expects that the cord blood bank operating rights will be renewed at the same rate as a market participant would expect, and no other factors would indicate a different useful life is more appropriate. Accordingly, in the absence of other entity-specific factors, the useful life of the cord blood bank operating rights was determined to be thirty years.

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A straight-line method of amortization has been adopted as the pattern in which the economic benefits of the operating rights are used up cannot be reliably determined. Estimated amortization expenses for the years ending after March 31, 2018 are:

Fiscal years ending March 31,	March 31, 2018	
	RMB	US\$
2019	4,621	737
2020	4,621	737
2021	4,621	737
2022	4,621	737
2023	4,621	737
2024 and thereafter	78,960	12,587
Total amortization expenses	102,065	16,272

9 Available-for-sale equity securities

	March 31,		
	2017 RMB	2018 RMB	2018 US\$
Listed equity securities			
Life Corporation Limited - listed on Australian Securities Exchange	214	—	—
Cordlife Group Limited - listed on Singapore Exchange	131,479	91,632	14,608
	<u>131,693</u>	<u>91,632</u>	<u>14,608</u>
Listed fund investment	69,097	62,250	9,924
	<u>200,790</u>	<u>153,882</u>	<u>24,532</u>

As of March 31, 2017, the Group held 8,122,222 ordinary shares in Life Corporation Limited (“LFC”). LFC is principally engaged in the provision of funeral and related services and is listed on the Australian Securities Exchange (delisted on January 24, 2018). As of March 31, 2017, the Group’s equity interest in LFC was 11.4%. In February 2018, the Group disposed of its entire equity interest in LFC at a consideration of RMB217 (US\$35) to an independent third party.

During the years ended March 31, 2016 and 2017, the Group recorded impairment loss on available-for-sale equity securities of RMB8,361 and RMB2,533 respectively, which were related to the Group’s investment in LFC. Having considered the extent of the decline in the fair value of the ordinary shares of LFC, the length of time to which the market value of the shares had been below cost, and the financial condition and near-term prospects of LFC, management concluded that the decline in value on the investment in LFC was other-than-temporary. As a result, impairment loss of RMB8,361 and RMB2,533 was recognized in earnings, which was transferred from other comprehensive income, during the years ended March 31, 2016 and 2017 respectively. No impairment loss was recorded for the year ended March 31, 2018.

As of March 31, 2017, and 2018, the Group held 25,516,666 ordinary shares in CGL. CGL is a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia, Malaysia and the Philippines, and is listed on the Singapore Exchange. As of March 31, 2017, and 2018, the Group’s equity interest in CGL was 9.8% and 10.1%, respectively.

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During the year ended March 31, 2017, the Group made an investment in industry specific fund for US\$10,000 (RMB66,154). Such fund investments are classified as available-for-sale equity securities since the Group has no immediate intention to sell them and they have readily determinable fair value.

Dividends received from CGL during the years ended March 31, 2016, 2017 and 2018 of RMB17,007, nil and RMB634 (US\$101), respectively, were recorded in dividend income in the consolidated statements of comprehensive income.

As of March 31, 2017, the cost basis of the available-for-sale equity securities was RMB100,597, total unrealized holding losses of LFC was RMB185, total unrealized holding gains of CGL was RMB92,025 and total unrealized holding losses of other investment was RMB72. The aggregate fair value was RMB200,790 as of March 31, 2017.

As of March 31, 2018, the cost basis of the available-for-sale equity securities was RMB100,213 (US\$15,976), total unrealized holding gains of CGL was RMB62,613 (US\$9,982) and total unrealized holding losses of other investment was RMB297 (US\$47). The aggregate fair value was RMB153,882 (US\$24,532) as of March 31, 2018.

10 Other investment

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
Unlisted equity securities, at cost	189,129	189,129	30,152

As of March 31, 2017 and 2018, the Group owned 24% equity interest of Shandong Province Qilu Stem Cells Engineering Co., Ltd. (“Qilu Stem Cells”), which operates a cord blood bank in the Shandong province, the PRC. Since the Group does not have any representation in the board of directors and does not have significant influence over the financial and operating decisions of Qilu Stem Cells, the investment is stated at cost as the equity interests do not have a readily determinable fair value. The Group performed an impairment assessment based on Qilu Stem Cells’s operational performance, local demographic trend and the economic environment of the Shandong province and no impairment indicator was identified for the years ended March 31, 2017 and 2018, respectively.

Dividend declared and paid by Qilu Stem Cells during the year ended March 31, 2016 of RMB31,800 were recognized in dividend income in the consolidated statements of comprehensive income. No dividend income was received from Qilu Stem Cells during the years ended March 31, 2017 and 2018.

11 Bank loan

On October 9, 2015, the Group borrowed RMB60,000 from Hangzhou Bank for one year. The loan bore a monthly fixed interest rate at 0.46%. The Group repaid the bank loan in full on September 13, 2016.

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12 Accrued expenses and other payables

Accrued expenses and other payables consist of the following:

	Note	March 31,		
		2017 RMB	2018 RMB	2018 US\$
Insurance premium received on behalf of insurance company	(i)	28,348	33,232	5,298
Other tax payables		4,365	1,802	287
Accrued salaries, bonus and welfare expenses		8,770	17,524	2,794
Accrued consultancy and professional fees		4,961	4,785	763
Payable for property, plant and equipment		1,098	712	114
Other payables	(ii)	17,620	14,968	2,385
Total accrued expenses and other payables		65,162	73,023	11,641

Notes:

- (i) The Group has an agreement with an insurance company under which the Group collects insurance premiums on behalf of the insurance company from customers who store umbilical cord blood in the Group's cord blood bank and are enrolled in the insurance scheme of the insurance company. Thus, the amount of gross storage fees includes insurance premiums collected on behalf of the insurance company. The amount attributable to the insurance premiums is included in current and non-current (collected and payable over one year) other payables and is not recognized as revenue. The Group has no performance obligation to the customer with respect to the insurance policy.
- (ii) Other payables mainly include fee refundable to customers whose cord blood unit does not qualify for subsequent storage and other procurement payables.

13 Deferred revenue

(a) *Deferred revenue consists of the following:*

	March 31,		
	2017 RMB	2018 RMB	2018 US\$
Payments by customers prior to completion of cord blood processing services	129,880	128,192	20,437
Unearned storage fees	1,763,389	2,112,195	336,733
Total current and non-current deferred revenue	1,893,269	2,240,387	357,170
Representing:			
Current portion	323,690	366,373	58,408
Non-current portion	1,569,579	1,874,014	298,762
Total current and non-current deferred revenue	1,893,269	2,240,387	357,170

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(b) *An analysis of the unearned storage fees is as follows:*

	Year ended March 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
Balance at beginning of year	1,232,243	1,482,074	1,763,389	281,126
Deferred revenue arising from new customers	493,354	559,588	674,015	107,453
Credited to income	(243,523)	(278,273)	(325,209)	(51,846)
Balance at end of year	1,482,074	1,763,389	2,112,195	336,733

14 Convertible notes, net

On April 27, 2012, the Company completed the sale of US\$65,000 in aggregate principal amount of 7% coupon interest rate senior unsecured convertible notes to Brilliant China Healthcare Investment Limited (formerly known as KKR China Healthcare Investment Limited) (“BCHIL”) (the “KKR Notes”). The KKR Notes are convertible into the Company’s ordinary shares at a conversion price of US\$2.838 per share. The Company received gross proceeds of US\$65,000 and incurred debt issuance costs of RMB14,260 from the issuance of the KKR Notes. The KKR Notes are senior unsecured obligations, maturing on April 27, 2017 and are not redeemable prior to their maturity at the Company’s option. The KKR Notes are convertible at any time in whole or in part, into the Company’s ordinary shares at the conversion price, subject to customary anti-dilution adjustments for significant corporate events. On the maturity date, the Company is obligated to pay a redemption amount on the unconverted portion of the KKR Notes that is calculated to provide a 12% Internal Rate of Return (“IRR”).

On October 3, 2012, the Company completed the sale of aggregate US\$50,000 senior unsecured convertible notes to Golden Meditech Holdings Limited (“GMHL”), which was a major shareholder of the Company at that time (the “GM Notes”). The GM Notes carry a 7% coupon interest rate and are convertible into the Company’s ordinary shares at a conversion price of US\$2.838 per share. The Company received gross proceeds of US\$50,000 and incurred debt issuance costs of RMB4,258 from the issuance of the GM Notes. The GM Notes are senior unsecured obligations, maturing on October 3, 2017 and are not redeemable prior to their maturity at the Company’s option. The GM Notes are convertible at any time in whole or part, into the Company’s ordinary shares at the conversion price, subject to customary anti-dilution adjustments for significant corporate events. On the maturity date, the Company is obligated to pay a redemption amount on the unconverted portion of the GM Notes that is calculated to provide a 12% IRR.

In November 2014, GMHL completed the sale of the GM Notes of US\$50,000 in aggregate principal amount to CGL and Magnum Opus International Holdings Limited (“Magnum”), a private vehicle that is controlled by the Company’s former chairman, for a total consideration of US\$88,090. As a result, CGL and Magnum became the holders of the GM Notes and each of them held US\$25,000 of the GM Notes. All terms and conditions of the GM Notes remain the same after the transfer from GMHL to CGL and Magnum, except for the change of holder name on the convertible notes and the denomination of the fair value of the convertible notes from US\$50,000 to US\$25,000.

In May 2015, GMHL entered into a purchase agreement with CGL and Magnum to acquire the GM Notes at a consideration of US\$61,677 and US\$61,896, respectively. The acquisitions of the GM Notes from CGL and Magnum were completed in November and December 2015, respectively, and the GM Notes were subsequently transferred to Golden Meditech Stem Cells (BVI) Company Limited (“GMSC”), a wholly owned subsidiary of GMHL.

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In August 2015, BCHIL transferred the KKR Notes to Excellent China Healthcare Investment Limited (“ECHIL”). On the same day, Magnum Opus 2 International Holdings Limited (“MO2”), an entity wholly owned by the Company’s former chairman, acquired from BCHIL the KKR Notes through the acquisition of all the issued and outstanding shares of ECHIL, which is the holder of the KKR Notes and a wholly owned subsidiary of BCHIL.

In January 2016, GMHL acquired from ECHIL the KKR Notes and subsequently transferred the KKR Notes to its wholly owned subsidiary, GMSC.

In April 2017, GMSC exercised the conversion of the KKR Notes and GM Notes (collectively the “Notes”) of US\$115,000 in aggregate principal amount at a conversion price of US\$2.838 per share, which resulted in the issuance of 40,521,494 ordinary shares of the Company. Subsequent to such conversion, the Company has no outstanding convertible notes.

The carrying amounts of the Notes, net as of March 31, 2017 and 2018 are summarized in the following table:

	March 31,		
	2017	2018	2018
	RMB	RMB	US\$
Principal amount of the KKR Notes	449,608	—	—
Principal amount of the GM Notes	345,852	—	—
Cumulative interest payables	236,389	—	—
Less: Unamortized debt issuance costs	(695)	—	—
Convertible notes, net	1,031,154	—	—

The Company has determined that the conversion feature embedded in the Notes should not be bifurcated and accounted for as a derivative pursuant to ASC 815, *Derivatives and Hedging* (“ASC 815”), since the embedded conversion feature is indexed to the Company’s own stock and would have been classified in shareholders’ equity if it were a free-standing derivative instrument. The Company has determined that the embedded put options that can accelerate the repayment of the Notes and contingent interest feature are clearly and closely related to the debt host contract and are not separately accounted for as a derivative pursuant to the ASC 815. Further, since the conversion price of the Notes exceeded the market price of the Company’s ordinary shares on the date of commitment, there was no beneficial conversion feature.

The Company accrued interest on the Notes based on the guaranteed 12% IRR per annum. The difference between the accrued interest rate of 12% and the coupon rate of 7% of the Notes is recorded in convertible notes in the consolidated balance sheets. Debt issuance costs in connection with the issuance of convertible notes are amortized from the date the Notes were issued to the earliest date the holders of the Notes can demand payment, which is five years.

Interest relating to the Notes was recognized as follows:

	Year ended March 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
KKR Notes interest incurred	57,807	65,130	1,454	232
GM Notes interest incurred	43,399	48,863	1,113	177
Amortization of debt issuance costs	3,712	3,947	690	110
Total interest expense	104,918	117,940	3,257	519

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15 Shareholders' equity

(a) Share capital

As of March 31, 2016 and 2017, the Company had 73,003,248 shares outstanding and 73,140,147 shares issued. During the year ended March 31, 2018, the Company issued 40,521,494 ordinary shares upon the conversion of the Notes in April 2017 (Note 14). In addition, 7,300,000 outstanding RSUs were fully vested and resulted in an increase of 7,300,000 shares outstanding (Note 18). As a result, as of March 31, 2018, the Company's outstanding and issued shares increased to 120,824,742 and 120,961,641 respectively.

(b) Statutory reserves

According to PRC rules and regulations and their Articles of Association, Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou are required to transfer 10% of net income, as determined in accordance with the relevant financial regulations established by the Ministry of Finance of the PRC, to a statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to equity holders can be made.

The statutory surplus reserve is non-distributable but can be used to make good previous years' losses, if any, and may be converted into issued capital in proportion to the respective equity holding of the equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the registered capital.

Aggregated transfers of RMB16,443, RMB1,964 and RMB16,326 (US\$2,603) have been made to the statutory surplus reserve by Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou for the years ended March 31, 2016, 2017 and 2018, respectively. Accumulated statutory surplus reserve as of March 31, 2017 and 2018 amounted to RMB127,815 and RMB144,141 (US\$22,979), respectively.

(c) Share repurchase program

During the year ended March 31, 2013, the Company repurchased 7,450,914 ordinary shares at a total cost of RMB131,302 of which 7,314,015 shares were subsequently sold to CGL (Note 1(b)). As of March 31, 2017 and 2018, the remaining 136,899 repurchased ordinary shares had not been cancelled and therefore were presented as treasury stock in the consolidated balance sheets.

On July 25, 2017 and July 23, 2018, the Board of Directors approved a new share repurchase program in the aggregate amount of \$20,000 for 12 months until July 25, 2018 and July 23, 2019, respectively. During the years ended March 31, 2017 and 2018, the Company did not repurchase any of its shares under the new share repurchase programs.

16 Revenues

The Group's revenues are primarily derived from the provision of umbilical cord blood processing and storage services.

Since the Group operates and manages its business solely in the PRC and services are predominately provided to customers located in the PRC, no geographical segment information is provided.

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The Group's revenues by category are as follows:

	Year ended March 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
Cord blood processing fees	415,000	477,243	604,502	96,372
Cord blood storage fees	243,523	278,273	325,209	51,846
Fees derived from the provision of donated cord blood for transplantation and research and others	4,476	4,462	7,057	1,125
Total revenues	662,999	759,978	936,768	149,343

17 Income tax

Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries that are incorporated in the Cayman Islands and the British Virgin Islands are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies, no Cayman Islands or British Virgin Islands withholding tax is imposed.

Hong Kong

The Company's subsidiaries that are incorporated or operate in Hong Kong are subject to Hong Kong Profits Tax on income arising in or derived from Hong Kong. No provision was made for Hong Kong Profits Tax as the subsidiaries did not earn income subject to Hong Kong Profits Tax for the years ended March 31, 2016, 2017 and 2018. The payments of dividends by Hong Kong tax residents are not subject to any Hong Kong withholding tax.

The PRC

The Company's PRC subsidiaries are subject to PRC statutory income tax rate of 25% unless otherwise specified.

In January 2015, Beijing Jiachenhong received approval from the tax authority on the renewal of its High and New Technology Enterprises ("HNTE") status which entitled it to the preferential income tax rate of 15% effective retroactively from January 1, 2014 to December 31, 2016. In February 2018, Beijing Jiachenhong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% effective retroactively from January 1, 2017 to December 31, 2019.

In April 2014, Guangzhou Nuoya received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% effective retroactively from January 1, 2013 to December 31, 2015. In March 2017, Guangzhou Nuoya received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% effective retroactively from January 1, 2016 to December 31, 2018.

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In January 2016, Zhejiang Lukou received approval from the tax authority that it qualified as a HNTE which entitled it to the preferential income tax rate of 15% effective retrospectively from January 1, 2015 to December 31, 2017. Zhejiang Lukou is in the process of reapplication for its HNTE status which will enable it to the preferential income tax rate of 15% from January 1, 2018 to December 31, 2020.

The Enterprise Income Tax Law and its implementation rules also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends receivable by non-PRC-resident enterprises from PRC-resident enterprises in respect of earnings accumulated beginning on January 1, 2008. During the year ended March 31, 2017, a reversal of withholding income tax of RMB14,300 was made due to the change in management's future reinvestment plan as all undistributed earnings of the Company's PRC subsidiaries are intended to be reinvested indefinitely in the PRC in the foreseeable future. There was no change on the Company's reinvestment plan in the year ended March 31, 2018. As of March 31, 2018, such undistributed earnings that may be subject to the withholding tax amounted to RMB1,977,506 (US\$315,261) and the related unrecognized deferred tax liability was RMB197,751 (US\$31,526).

Income before income tax expense arose from the following tax jurisdictions:

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
The PRC	323,510	365,448	435,576	69,441
Non-PRC				
- Hong Kong	405	(36)	(45)	(7)
- British Virgin Islands	8,288	(2,985)	(56)	(9)
- Cayman Islands	(190,870)	(196,116)	(131,940)	(21,034)
Income before income tax expense	141,333	166,311	303,535	48,391

(a) *Income taxes*

Income tax expense represents PRC income tax expense as follows:

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
Current tax expense	51,060	58,767	72,591	11,573
Deferred tax expense	(1,060)	(21,145)	(9,935)	(1,584)
Total income tax expense	50,000	37,622	62,656	9,989

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(b) Reconciliation of expected income tax to actual income tax expense

The actual income tax expense reported in the consolidated statements of comprehensive income differs from the amount computed by applying the statutory PRC income tax rate of 25% due to the following:

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
Income before income tax expense	141,333	166,311	303,535	48,391
Computed “expected” tax expense	35,333	41,578	75,884	12,098
Non-PRC entities not subject to income tax				
- Hong Kong	(101)	9	11	2
- British Virgin Islands	(2,072)	746	14	2
- Cayman Islands	47,717	49,029	32,985	5,258
PRC dividend withholding tax	5,200	(14,300)	—	—
Non-taxable income	(7,950)	—	—	—
Preferential tax rates	(33,049)	(39,931)	(49,093)	(7,826)
Others	4,922	491	2,855	455
Actual income tax expense	50,000	37,622	62,656	9,989

(c) Deferred taxes

The tax effects of temporary differences that give rise to deferred tax assets/(liabilities) are presented below:

	March 31,		
	2017 RMB	2018 RMB	2018 US\$
Deferred tax assets:			
Accounts receivable	17,850	21,086	3,362
Non-current accounts receivable	12,003	11,725	1,869
Inventories	2,273	7,410	1,181
Others	881	1,713	273
Deferred tax assets	33,007	41,934	6,685
Deferred tax liabilities:			
Deferred revenue	(67)	(57)	(9)
Property, plant and equipment	(5,536)	(5,694)	(908)
Intangible assets	(26,672)	(25,516)	(4,068)
Deferred tax liabilities	(32,275)	(31,267)	(4,985)
Net deferred tax assets	732	10,667	1,700
Classification on consolidated balance sheets:			
Deferred tax assets	22,155	31,295	4,989
Deferred tax liabilities	(21,423)	(20,628)	(3,289)
Net deferred tax assets	732	10,667	1,700

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For the years ended March 31, 2016, 2017 and 2018, the Group did not have any unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months.

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100 (US\$16). In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Group's PRC subsidiaries for the calendar years from 2013 to 2017 are open to examination by the PRC state and local tax authorities.

18 Share-based compensation

At the annual general meeting of the Company on February 18, 2011 (the "Adoption Date"), the shareholders of the Company approved a RSU scheme for the purpose of attracting and retaining skilled and experienced personnel. Certain administrative provisions of the RSU scheme were subsequently amended by the Board of Directors of the Company in August 2014. The RSU scheme will be valid and effective for a period of ten years commencing from the Adoption Date of the RSU Scheme.

On December 15, 2014 (the "Grant Date"), the Company granted a total of 7,300,000 RSUs to certain executives, directors and key employees (the "RSU Grantees") under the RSU scheme. The RSUs will be vested in whole at any time during its valid period, subject to the fulfilment of certain operational and/or financial performance targets as set by relevant committee of the Company's Board of Directors. Upon vesting, each RSU shall be entitled to the transfer or issue of one ordinary share in the share capital of the Company. The RSUs are exercisable only if the RSU Grantees remained employed by the Company. The fair value of each RSU is US\$4.15, which was based on the market price of the ordinary shares of the Company at the Grant Date. During the years ended March 31, 2016 and 2017, the RSUs granted had not been vested. There were 7,300,000 RSUs outstanding and nil exercisable as of March 31, 2017 with a weighted average remaining contract life of 1 year.

During the year ended March 31, 2018, 1,000,000 RSUs were cancelled upon the resignation of one of the grantees. Previously recognized share-based compensation expense was therefore written back in the year ended March 31, 2018.

In May 2017 (the "Second Grant Date"), 1,000,000 additional RSUs were issued to the RSU Grantees under the RSU scheme. The RSUs will be vested in whole at any time during its valid period, subject to the fulfilment of certain operational and/or financial performance targets as set by relevant committee of the Company's Board of Directors. Upon vesting, each RSU shall be entitled to the transfer or issue of one ordinary share in the share capital of the Company. The RSUs are exercisable only if the RSU Grantees remained employed by the Company. The fair value of each RSU is US\$7.68, which was based on the market price of the ordinary shares of the Company at the Second Grant Date.

During the year ended March 31, 2018, all 7,300,000 RSUs outstanding were fully vested. As of March 31, 2018, no RSU was issued and outstanding.

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Share-based compensation expense recognized for RSUs is allocated to the following expense items:

	Year ended March 31,			
	2016 RMB	2017 RMB	2018 RMB	2018 US\$
Direct costs	1,475	1,565	1,920	306
Sales and marketing	16,413	17,408	(1,534)	(245)
General and administrative	40,796	43,268	83,882	13,373
Total share-based compensation expense	58,684	62,241	84,268	13,434

19 Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended March 31, 2016, 2017 and 2018:

	Note	Year ended March 31,			
		2016 RMB	2017 RMB	2018 RMB	2018 US\$
Numerator:					
Net income attributable to the Company's shareholders		90,970	126,190	237,098	37,799
Earnings allocated to participating convertible notes	(i)	—	(10,019)	—	—
Net income for basic and diluted net income per share		<u>90,970</u>	<u>116,171</u>	<u>237,098</u>	<u>37,799</u>
Denominator:					
Weighted average ordinary shares outstanding for basic net income per share		73,003,248	73,003,248	112,938,635	112,938,635
Dilutive effect of RSUs	(ii)	—	—	6,390,797	6,390,797
Weighted average ordinary shares outstanding for diluted net income per share		<u>73,003,248</u>	<u>73,003,248</u>	<u>119,329,432</u>	<u>119,329,432</u>
Earnings per share					
- Basic		<u>1.25</u>	<u>1.59</u>	<u>2.10</u>	<u>0.33</u>
- Diluted	(ii)	<u>1.25</u>	<u>1.59</u>	<u>1.99</u>	<u>0.32</u>

Notes:

- (i) The outstanding convertible notes provide the holders with the ability to participate in any excess cash dividend. Excess cash dividend means any cash dividend to holders of shares that, together with all other cash dividends previously paid to holders of shares in the same financial year, exceeds, on a per share basis, an amount equal to the interest that has accrued and shall accrue at 7% coupon interest rate in such financial year divided by the number of shares into which the notes are convertible at the conversion price then in effect on the relevant record date. Therefore, net income attributable to the Company is reduced by such allocated earnings to participating convertible notes for the year ended March 31, 2017 in both basic and diluted net income per share computation. For the years ended March 31, 2016 and 2018, as there were no excess cash dividend, no earnings were allocated to participating convertible notes. All outstanding convertible notes were fully converted into the Company's ordinary shares in the year ended March 31, 2018.
- (ii) For the year ended March 31, 2018, dilutive potential ordinary shares included 6,390,797 weighted average incremental shares of the RSUs applying the treasury stock method. During the years ended March 31, 2016 and 2017, the Company had potential dilutive ordinary shares of 7,300,000 represented shares issuable upon vesting of the RSUs, which were excluded from diluted earnings per share computation as the performance condition was not met at each of the year end. During the years ended March 31, 2016, 2017 and 2018, the Company had potentially dilutive ordinary shares of 40,521,494 representing shares issuable upon conversion of the outstanding convertible notes (see Note 14). Such potentially dilutive ordinary shares were excluded from diluted earnings per share computation because their effects would have been anti-dilutive.

20 Related party transactions

For the years presented, the principal related party transactions and amounts due to related parties are summarized as follows:

	Note	Year ended March 31,			
		2016 RMB	2017 RMB	2018 RMB	2018 US\$
Rental of properties	(i)	1,440	—	—	—
Purchase of raw materials	(ii)	37,556	36,405	18,759	2,991
Purchase of raw materials and machineries	(iii)	—	—	19,419	3,096
Consultancy expenses	(iv)	4,078	4,337	4,481	714
Interest expenses	14	78,014	113,993	2,567	409
License fee	(v)	317	—	—	—
Consultancy income	(vi)	—	16,786	—	—
Data access income	(vii)	—	26,316	—	—

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	Note	March 31,		
		2017 RMB	2018 RMB	2018 US\$
Current liability:				
Amount due to a related party	(ii)	4,679	—	—

Notes:

- (i) During the year ended March 31, 2016, Beijing Jingjing Medical Equipment Co., Ltd. (“Beijing Jingjing”), a subsidiary of GMHL, leased a property to the Group under an operating lease. The monthly rental was RMB120 and does not include contingent rentals. The lease was terminated on April 1, 2016 and therefore, no rental expense was incurred during the years ended March 31, 2017 and 2018.
- (ii) During the years ended March 31, 2016 and 2017 and the period from April 1, 2017 to January 31, 2018, the Group purchased raw materials from China Bright Group Co. Limited (“China Bright”), a subsidiary of GMHL, of RMB37,556, RMB36,405 and RMB18,759 (US\$2,991), respectively. Since February 1, 2018, China Bright was no longer a related party of the Group.
- (iii) During the period from April 1, 2017 to January 31, 2018, the Group purchased raw materials and machineries from Beijing Jingjing of RMB19,419 (US\$3,096). Since February 1, 2018, Beijing Jingjing was no longer a related party of the Group.
- (iv) During the years ended March 31, 2016 and 2017 and the period from April 1, 2017 to January 31, 2018, consultancy services were provided by Golden Meditech (S) Pte Ltd. (“GM(S)”), a subsidiary of GMHL, to the Group for an amount of RMB4,078, RMB4,337 and RMB4,481 (US\$714), respectively. Since February 1, 2018, GM(S) was no longer a related party of the Group.
- (v) During the period from April 1, 2015 to October 30, 2015 and the period from February 1, 2018 to March 31, 2018, CGL charged the Group a license fee for an amount of RMB317 and nil, respectively. During the period from October 31, 2015 to January 31, 2018, CGL was not a related party of the Group. CGL became a related party of the Group after February 1, 2018.
- (vi) During the year ended March 31, 2017, the Company performed a consultation service related to the usage of cord blood processing devices and consumables and recorded RMB16,786 as a reduction of direct costs. GMHL is an exclusive distributor of such devices and consumables in the PRC and the Company is a major customer of GMHL. Since the consideration of the consultation service cannot be sufficiently separated from the Company’s purchases of such devices and consumables and the fair value of the benefit provided for cannot be reasonably estimated either, the consideration received from GMHL was recorded as a reduction of direct costs as associated cord blood processing devices and consumables which the Company purchased from GMHL were consumed and included in direct costs in prior years.
- (vii) During the year ended March 31, 2017, the Company entered into a collaboration agreement with GMHL. Utilizing the Company’s existing donated cord blood samples resources, the Company provided GMHL with exclusive access to certain data derived from a small portion of donated cord blood samples and has no further obligation to GMHL, in return for a fee of RMB26,316.

21 Employee benefits

Pursuant to the relevant PRC regulations, Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou are required to make various defined contributions organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at a rate of approximately 40% on a standard salary base as determined by the local Social Security Bureau. The amounts of the defined contributions of RMB20,581, RMB24,495 and RMB30,518 (US\$4,865) for the years ended March 31, 2016, 2017 and 2018 respectively, were charged to expense in the consolidated statements of comprehensive income.

For the years ended March 31, 2016, 2017 and 2018, 55%, 55% and 57% of costs of employee benefits were recorded in sales and marketing expenses respectively, with the remaining portion of the contributions recorded in general and administrative expenses, direct costs and research and development expenses of each year.

The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

22 Fair value measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Available-for-sale equity securities - based on quoted market prices on the last trading value as of March 31, 2018. Such investments are classified as Level 1 in the hierarchy.

Short-term financial instruments (including cash and cash equivalents, accounts receivable, prepaid expenses and other receivables, accounts payable, accrued expenses and other payables, amounts due to related parties and short-term bank loan) - cost approximates their respective fair values due to their short-term nature.

Convertible notes - the estimated fair value was US\$278,254 as of March 31, 2017 based on the level 3 valuation technique as compared to a carrying amount (before deducting unamortized debt issuance costs) of RMB1,031,849 as of March 31, 2017. The estimated fair value of the convertible notes is based on a mark-to-model valuation model. Due to the fact that there is no active market for this instrument, the fair value of the convertible notes was estimated using a discounted cash flow analysis based on current borrowing rates for instruments with similar terms. In addition, the Company utilized other sources of information for the relevant market parameters in order to develop its fair value.

23 Business and credit concentrations

All of the Group's customers are located in the PRC. Revenues from and accounts receivable due from customers are individually immaterial. The Group derives a substantial portion of net revenues from the entities in the Beijing municipality, Guangdong and Zhejiang provinces. Revenues derived from the subsidiary in the Beijing municipality accounted for 31.6%, 28.8% and 23.7% of net revenues for the years end March 31 2016, 2017 and 2018, respectively. Revenues derived from the subsidiary in the Guangdong province accounted for 58.8%, 58.7% and 62.0% of net revenues for the years end March 31 2016, 2017 and 2018, respectively. Revenues derived from the subsidiary in the Zhejiang province accounted for 9.6%, 12.5% and 14.3% of net revenues for the years end March 31 2016, 2017 and 2018, respectively. As a result of this geographic concentration, the results of operations are significantly affected by economic conditions in the Beijing municipality, Guangdong and Zhejiang provinces. Furthermore, any change in number of newborns in the Beijing municipality, Guangdong and Zhejiang provinces could significantly impact our operations. Deterioration in economic conditions in these markets could decrease the demand for our business, which in turn could negatively impact our operations and business prospects.

The Group purchases raw materials from a few major suppliers. Management believes that other suppliers could provide similar raw materials on comparable terms. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, which would adversely affect the Company's business, financial position and results of operations. The following are purchases from suppliers that individually comprise 10% or more of gross purchases in the respective years:

Suppliers	Note	Year ended March 31,						
		2016		2017		2018		
		RMB	%	RMB	%	RMB	US\$	%
China Bright Group Co. Limited		37,556	49	36,405	52	18,759	2,991	24
Hangzhou Baitong Biological Technology Co., Ltd.	(i)	—	—	—	—	7,670	1,223	10
Beijing Chengmao Xingye Technology Development Co., Ltd.	(i)	—	—	—	—	7,711	1,229	10
Total		37,556	49	36,405	52	34,140	5,443	44

Note:

- (i) The purchases from Hangzhou Baitong Biological Technological Co., Ltd. and Beijing Chengmao Xingye Technology Development Co., Ltd. were less than 10% of our gross purchases for the year ended March 31, 2016 and 2017, respectively.

The following are individual accounts payable due to major suppliers that exceeded 10% of outstanding accounts payable balance in the respective years:

	March 31,				
	2017		2018		
	RMB	%	RMB	US\$	%
Beijing Probe Biological Technology Co., Ltd.	—	—	1,141	182	10

24 Commitments and contingencies

(a) Operating lease commitments

For the years ended March 31, 2016, 2017 and 2018, total rental expenses for operating leases were RMB4,898, RMB2,859 and RMB3,483 (US\$555), respectively.

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The total future minimum payments under non-cancellable operating leases of rental arrangements as of March 31, 2018 are as follows:

	March 31, 2018	
	RMB	US\$
Fiscal years ending March 31,		
2019	1,315	210
2020	26	4
2021	—	—
2022	—	—
2023 and thereafter	—	—
Total payments	1,341	214

(b) Contractual commitments

(i) Research and development agreement

The Group entered into an agreement with an institution for the research and development of medicines for treatments which make use of cord blood stem cells. As of March 31, 2018, total future minimum payment under this agreement for the fiscal year ending March 31, 2019 amounted to RMB2,000 (US\$319).

(ii) Cooperation agreements

In June 2006, the Group entered into a cooperation agreement with Peking University People’s Hospital (“PUPH”). Pursuant to the agreement, PUPH provides technical consultancy services to the Group in relation to the operation of a cord blood bank. The annual service fee was RMB2,600 (US\$415) and was renewed to RMB3,000 (US\$478) effective from September 2017. The renewed agreement has a term of four years commencing in September 2017.

In November 2009, Guangzhou Nuoya entered into a cooperation agreement with Guangdong Women and Children’s Hospital and Health Institute (“GWCH”) for a term of 20 years. Pursuant to the agreement, GWCH provides technical consultancy services to the Group. The annual service fee was RMB2,000 and was renewed to RMB3,200 (US\$510) effective from October 2013.

As of March 31, 2018, the total future minimum payments under the cooperation agreements are as follows:

	March 31, 2018	
	RMB	US\$
Fiscal years ending March 31,		
2019	6,200	988
2020	6,200	988
2021	6,200	988
2022	4,450	709
2023	3,200	510
2024 and thereafter	21,067	3,360
Total payments	47,317	7,543

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25 Subsequent events

On June 26, 2018, the Company's Board of Directors declared a dividend of US\$0.08 per ordinary share of the Company, to be paid in cash or in scrip at the election of the shareholder. The dividend will be payable on August 20, 2018 (but no later than August 24, 2018) to shareholders of record as of July 30, 2018.

List of Subsidiaries

Name	Jurisdiction
China Cord Blood Services Corporation	Cayman Islands
China Stem Cells Holdings Limited	Cayman Islands
Beijing Jiachenhong Biological Technologies Co., Ltd.	People's Republic of China
Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd.	People's Republic of China
Zhejiang Lukou Biotechnology Co., Ltd.	People's Republic of China
China Stem Cells (East) Company Limited	British Virgin Islands
China Stem Cells (East) Company Limited	Hong Kong
China Stem Cells (South) Company Limited	British Virgin Islands
China Stem Cells (South) Company Limited	Hong Kong
China Stem Cells (West) Company Limited	British Virgin Islands
China Stem Cells (West) Company Limited	Hong Kong
China Stem Cells (North) Company Limited	British Virgin Islands
China Stem Cells (North) Company Limited	Hong Kong
Favorable Fort Limited	Hong Kong
Jinan Baoman Science & Technology Development Co., Ltd.	People's Republic of China

Certification

Pursuant to Rule 13a-14(a) of the Exchange Act

I, Ting Zheng, certify that:

1. I have reviewed this annual report on Form 20-F of Global Cord Blood Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

July 23, 2018

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer
(Principal Executive Officer)

Certification

Pursuant to Rule 13a-14(a) of the Exchange Act

I, Albert Chen, certify that:

1. I have reviewed this annual report on Form 20-F of Global Cord Blood Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

July 23, 2018

By: /s/ Albert Chen
Name: Albert Chen
Title: Chief Financial Officer
(Principal Financial Officer)

Certification

Pursuant to 18 U.S.C. Section 1350

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Global Cord Blood Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended March 31, 2018 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

GLOBAL CORD BLOOD CORPORATION

July 23, 2018

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer
(Principal Executive Officer)

July 23, 2018

By: /s/ Albert Chen
Name: Albert Chen
Title: Chief Financial Officer
(Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Global Cord Blood Corporation

We consent to the incorporation by reference in the registration statements (No. 333 -183143 and No. 333 - 213730) on Form F-3 of Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) of our reports dated July 23, 2018, with respect to the consolidated balance sheets of Global Cord Blood Corporation and subsidiaries as of March 31, 2017 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes (collectively, the “consolidated financial statements”) and the effectiveness of internal control over financial reporting as of March 31, 2018, which reports appear in the March 31, 2018 annual report on Form 20-F of Global Cord Blood Corporation.

/s/ KPMG Huazhen LLP

Beijing, China
July 23, 2018



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Date: July 23, 2018

Global Cord Blood Corporation

48th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong S.A.R.

Madams and Sirs,

We hereby consent to the use of our name under the captions “Enforceability of Civil Liabilities”, “Legal Matters” and “Experts” in the registration statement on Form F-3 (the “Registration Statement”) filed by Global Cord Blood Corporation (the “Company”) with the U.S. Securities and Exchange Commission (the “SEC”) (File Nos. 333-183143 and 333-213730) under the United States Securities Act of 1933, as amended (the “Securities Act”), and under the captions “Risk Factors”, “History and Current Business” and “Regulation” in the Annual Report on Form 20-F for the fiscal year ended March 31, 2018, filed with the SEC on July 23, 2018, incorporated by reference in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the regulations promulgated thereunder.

/s/ Zhong Lun Law Firm

Yours faithfully,
Zhong Lun Law Firm



Scrip Dividend Scheme — June 2018

GLOBAL CORD BLOOD CORPORATION
(NYSE:CO)  國際臍帶血庫企業集團
Global CordBlood Corporation

DISCLAIMER

Forward Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or the Company's future financial performance. The Company has attempted to identify forward-looking statements by terminology including "anticipates", "believes", "expects", "can", "continue", "could", "estimates", "intends", "may", "plans", "potential", "predict", "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions, uncertainties and other factors may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. The information in this document is not intended to project future performance of the Company. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company does not guarantee future results, levels of activity, performance or achievements. The Company expectations are as of the date of this document, and the Company does not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results, unless required by law.

The forward-looking statements included in this document are subject to risks, uncertainties and assumptions about the Company's businesses and business environments. These statements reflect the Company's current views with respect to future events and are not a guarantee of future performance. Actual results of the Company's operations may differ materially from information contained in the forward-looking statements as a result of risk factors, some of which include, among other things: continued compliance with government regulations regarding cord blood banking in the People's Republic of China, or PRC and any other jurisdiction in which the Company conducts its operations; changing legislation or regulatory environments (including the relaxation of China's one-child policy) in the PRC and any other jurisdiction in which the Company conducts its operations; the acceptance by subscribers of the Company's different pricing and payment options and reaction to the introduction of the Company's premium-quality pricing strategy; demographic trends in the regions of the PRC in which the Company is the exclusive licensed cord blood banking operator; labor and personnel relations; the existence of a significant shareholder able to influence and direct the corporate policies of the Company; credit risks affecting the Company's revenue and profitability; changes in the healthcare industry, including those which may result in the use of stem cell therapies becoming redundant or obsolete; the Company's ability to effectively manage its growth, including maintaining effective controls and procedures and attracting and retaining key management and personnel; changing interpretations of generally accepted accounting principles; the availability of capital resources, including in the form of capital markets financing opportunities, in light of industry developments affecting issuers that have pursued a "reverse merger" with an operating company based in China, the presence of a new major shareholder, economic uncertainty brought forth by international trade and currency pressure toward China, as well as general economic conditions; and other relevant risks detailed in the Company's filings with the U.S. Securities and Exchange Commission in the United States.

Offering of Scrip Shares

The terms of the scrip dividend ("CO Shares") payable to holders of the Company's ordinary shares, par value \$0.0001 per share ("Ordinary Shares") are more fully described in this document, a copy of which is available on the Company's website at <http://ir.globalcordbloodcorp.com/phoenix.zhtml?c=206671&p=irol-dividends> and the website of the U.S. Securities and Exchange Commission ("SEC") at www.sec.gov. For more information regarding the Company and the Ordinary Shares, please review the Company's most recent Annual Report on Form 20-F filed with the SEC and the Company's Reports on Form 6-K furnished to the SEC from time to time. No action has been taken to qualify or register the CO Shares in any jurisdiction and Eligible Shareholders (as defined herein) are required to inform themselves as to any restrictions that may be applicable to an election to receive CO Shares in their own particular jurisdiction.

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SUMMARY

The Board of Directors of Global Cord Blood Corporation (NYSE: CO) (“CO”, “Global Cord” or the “Company”) proposes the distribution of US\$0.08 per registered Ordinary Share payable out of retained earnings in the form either of a scrip dividend, i.e. new CO Shares, or in cash (“Distribution”). This allows us to pay a Distribution to shareholders while in case of an election for new CO Shares retaining capital that may be used in our business.

The proposed Distribution grants each Eligible Shareholder the option to receive the Distribution in the form of new CO Shares in order to further participate in the future development of Global Cord or, alternatively, in cash.

- Option 1: Receive new CO Shares

Eligible Shareholders can elect to receive, free of charge, a certain number of newly issued CO Shares to which they are entitled depending on the number of existing CO Ordinary Shares they hold.

- Option 2: Receive cash distribution

The default option is to receive a cash distribution in the amount of US\$0.08 per Dividend Right (as defined below).

Each Global Cord shareholder will receive one right (“Dividend Right”) for each CO Ordinary Share held as of close of business on July 30, 2018 (record date to receive the Distribution). The ex-dividend day is expected to occur on July 31, 2018.

The Dividend Right grants the Eligible Shareholders the right to receive the Distribution either in cash or in the form of new CO Shares issued at the Reference Share Price (as defined below). Global Cord shareholders who do not qualify as Eligible Shareholders will only receive the Distribution in cash. You should note that the new CO Shares are not being issued with any discount, as is the case with certain other scrip dividend schemes you may have participated in previously, and may result in you acquiring new CO Shares at a price above that prevailing market price.

The total number of new CO Shares to be issued at the Reference Share Price (the total “Issue Price”) will be communicated after 5:30 pm EDT in the U.S. on August 17, 2018, which is the day after the Election Period (as defined below). In the event that elections for shares result in rounding or fractions, the number of shares will be rounded down so that Eligible Shareholders receive an integer number of CO Shares and the fraction will be paid out in cash. The CO Shares from fractions will be paid in cash by Global Cord at the Reference Share Price.

The election period during which Eligible Shareholders can make their election on how to receive their Distribution will take place from August 2, 2018 through August 16, 2018 (noon EDT in the U.S.) (“Election Period”). The Dividend Rights will not be tradable.

The new CO Shares will be paid in through distribution payable out of retained earnings and related conversion of freely disposable funds of Global Cord in the amount of the entire Issue Price.

Terms of the Distribution

Proposed Distribution

The Board of Directors of Global Cord proposes the Distribution of US\$0.08 per registered Ordinary Share payable out of retained earnings in the form of either new CO Shares or a cash distribution for the financial year ended March 31, 2018. The proposed Distribution is not — irrespective of the Eligible Shareholder’s election — subject to Cayman Islands income tax, Cayman Islands withholding tax or Cayman Islands stamp tax. However, the proposed Distribution may be subject to U.S. federal income tax and withholding. Eligible Shareholders should consult their own tax advisors with respect to the tax consequences to them of the Distribution.

Price of new CO Shares

The price at which the new CO Shares to be delivered in lieu of the cash distribution shall equal the Reference Share Price rounded to two decimal places.

Reference Share Price

The reference share price (“Reference Share Price”) is fixed based on the average of the daily VWAP (volume weighted average share price) of the CO Ordinary Shares on The New York Stock Exchange (“NYSE”) (as reported by Bloomberg) during the period of 60 trading days ending on the date before announcement of the Distribution (June 25, 2018) (Bloomberg function: CO Equity VWAP, VWAP definition: Bloomberg Definition). The Reference Share Price is US\$9.64, rounded to two decimal places.

Conversion Ratio

The conversion ratio (“Conversion Ratio”) defines how many Dividend Rights are required in order for Eligible Shareholders to receive one new CO Share pursuant to the Distribution. The Conversion Ratio is calculated by dividing the Reference Share Price by the distribution of US\$0.08 per CO Ordinary Share and rounded to three decimal places.

Each existing CO Ordinary Share held after the market close on the record date is entitled to receive one Dividend Right. The Dividend Rights will not be tradable.

The Conversion Ratio is 120.500, rounded to three decimal places.

Fractions

In the event that elections for shares result in rounding or fractions, the number of shares will be rounded down so that Eligible Shareholders receive an integer number of CO Shares and the fraction will be paid out in cash (rounded to the nearest penny). The fractional CO Shares will be paid in cash by Global Cord at the Reference Share Price. Payment of fractions will be made with value date as from August 20, 2018 but no later than with value date August 24, 2018.

Election Period

Eligible Shareholders can make their election on how to receive their Distribution during the period from August 2, 2018 through August 16, 2018 (noon EDT in the U.S.)

Default alternative

Should an Eligible Shareholder not submit any election during the Election Period, or should a Global Cord shareholder not qualify as an Eligible Shareholder, the Distribution will be paid out to such shareholder entirely in cash.

Cancellation of election

Once the election has been submitted to the custodian bank or broker by the Eligible Shareholder, it cannot be reversed or cancelled.

Payment and delivery of new CO Shares

In case of an election by the Eligible Shareholder to receive the Distribution in new CO Shares, the new CO Shares will be delivered on August 20, 2018. Likewise, in the event of an election for a cash distribution or in the absence or impossibility of any such election, the cash distribution will be made with value date August 20, 2018.

Dividend and Distribution entitlement of new CO Shares

The new CO Shares are entitled to dividends or other distributions declared or paid, if any, from the date of the entry of the new CO Shares in the shareholder register of Global Cord.

Major Shareholder Intentions

Global Cord's principal shareholder is Blue Ocean Structure Investment Co. Ltd., an investment vehicle controlled by Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership) (collectively, the "Major Shareholder"). While Global Cord has no control over the decisions of the Major Shareholder, it understands that the Major Shareholder intends to exercise the 78,874,106 Dividend Rights and receive new CO Shares as Distribution with an aggregate value of approximately US\$6.3 million.

Key Dates

Date	Event
June 26, 2018	Publication of full year results 2018 and Announcement of declaration of Distribution
July 30, 2018	Record date to receive the Distribution
July 31, 2018	Ex-dividend date
August 2, 2018 to August 16, 2018 noon	Election Period
August 17, 2018	Announcement of election results for new CO Shares including the number of new CO Shares to be issued and total Issue Price
From August 20, 2018 but no later than August 24, 2018	Delivery of new CO Shares and Payment of fractions/ Payment of cash distribution Listing and first trading day of newly issued CO Shares

Tax aspects

The Distribution paid out of retained earnings of Global Cord is not subject to Cayman Islands income tax (for Cayman Islands resident individuals holding the shares as a private investment), Cayman Islands withholding tax or Cayman Islands transfer stamp tax. However, the proposed Distribution may be subject to U.S. federal income tax and withholding. Eligible Shareholders should consult their own tax advisors with respect to the tax consequences to them of the Distribution. Please note that if you have not previously submitted proper certifications of your income tax withholding status to Global Cord's transfer agent, Continental Stock Transfer & Trust Company, you should contact them at (800) 509-5586. Elections by Eligible Shareholders who have not submitted this certification by August 16, 2018 (noon EDT in the U.S.) will be invalidated and the related Distribution will be paid in cash and subject to deduction for applicable withholding.

Listing of new CO Shares

Application will be made for the new CO Shares to be listed and admitted to trading on the NYSE. It is expected that trading in the new CO Shares will commence on or about August 20, 2018 (but no later than August 24, 2018).

Illustrative Calculations of the Distribution

In order to illustrate the terms of the proposed Distribution, below are some purely theoretical calculations for different election scenarios:

Illustrative Terms Calculations

Number of CO Ordinary Shares held by investor after market close on the record date	1,000	
Number of Dividend Rights received	1,000	
Distribution per CO Ordinary Share	US\$0.08	
Reference Share Price	US\$9.64	Determined based on the average of the daily VWAP during the period of 60 trading days ending on the date which is one day prior to the announcement of the Distribution
Conversion Ratio	120.500 Dividend Rights (rounded to three decimal places) for one new CO Share.	Reference Share Price of US\$9.64 divided by the Distribution of US\$0.08

Scenario 1: Election for CO Shares

Number of new CO Shares received as part of the Distribution	8	1,000 Dividend Rights entitle holder to receive 8.299 new CO Shares (rounded to three decimal places), 1,000 Dividend Rights divided by conversion ratio of 120.500 Rounded down to 8 new CO Shares, fraction of 0.299 CO Share to be cashed out
Cash distribution received	US\$2.88	Compensation of fraction: $0.299 \text{ CO Share} \times \text{US\$9.64} = \text{US\$2.88}$ (rounded to the nearest penny)

Scenario 2: Election for Cash/Default Distribution

Number of CO Shares received as part of the Distribution	0	
Cash distribution received	US\$80.00	1,000 Dividend Rights $1,000 \times \text{US\$0.08} = \text{US\$80.00}$

Frequently Asked Questions

Holders of ordinary shares through the Depository Trust Company in the U.S. are requested to contact Continental Stock Transfer & Trust Company as our U.S. transfer agent for the CO Shares, their custodian bank or their broker.

General FAQs

In order to obtain the Distribution for the financial year ended March 31, 2018, what is the deadline for election of CO Shares?

The deadline for election is August 16, 2018 (noon EDT in the U.S.). To be eligible to receive the Distribution for financial year ended March 31, 2018, it is necessary to own CO Ordinary Shares as of close of business on July 30, 2018.

When will the final terms of the Distribution be determined and where can I find them?

The final terms of the Distribution will be announced on August 17 (after 5:30pm EDT in the U.S.) and will be published on the website of Global Cord <http://ir.globalcordbloodcorp.com/phoenix.zhtml?c=206671&p=irol-dividends>.

Do the new CO Shares issued under the Distribution have a different CUSIP number?

No, the new CO Shares issued will have the same CUSIP as the existing CO Ordinary Shares (CUSIP G39342 103).

Do the new CO Shares have the same rights as the existing CO Ordinary Shares?

Yes, the new CO Shares issued have the same voting and economic rights, and shall be tradable on NYSE as are the existing CO Ordinary Shares.

How do I know if I am an Eligible Shareholder?

Please refer to the definition of “Eligible Shareholder” on page 12 of this document. If you have any doubt on whether you fall within this definition, please consult with your legal advisor, custodian bank or broker in order to determine whether you qualify as an “Eligible Shareholder” for the purposes of this document.

Where can I find further information?

All relevant information relating to the Distribution can be found at <http://ir.globalcordbloodcorp.com/phoenix.zhtml?c=206671&p=irol-dividends>, including additional information such as the final terms of the Distribution (available on August 17, 2018 after 5:30pm EDT in the U.S.)

Eligible Shareholders FAQs

How can I make my election?

For Eligible Shareholders holding their CO Ordinary Shares in a securities deposit account with a custodian bank or a broker:

The Dividend Rights will be allotted to holders of CO Ordinary Shares through their custodian bank or broker. Please follow the instructions to be provided by your custodian bank or broker. You should receive the instructions on or around July 31, 2018. If you have not been informed by your custodian bank or broker by then, please contact them.

For Eligible Shareholders holding their CO Ordinary Shares in the form of physical share certificates:

If you hold CO Ordinary Share certificates in physical form and would like to receive new CO Shares as part of your Distribution, you are not required to transfer the share certificates to your securities deposit account with a custodian bank or broker ahead of the Distribution.

When can I make my election?

The Election Period to choose to receive the Distribution in new CO Shares runs from August 2, 2018 through August 16, 2018 (noon EDT in the U.S.). However, your custodian bank or broker may set a deadline for the election which might end before this.

How many Dividend Rights are required to elect to receive one new CO Share?

The Conversion Ratio is 120.500. The Conversion Ratio is calculated by dividing the Reference Share Price of US\$9.64 by the Distribution of US\$0.08 per Ordinary Share. You have to hold at least 121 Dividend Rights to elect to receive one new CO Share.

Can I change my election and if so, how?

No, once you have submitted your election, you will not be able to change your decision.

Can I sell my Dividend Rights during the Election Period? Do the Dividend Rights carry a value?

No, the Dividend Rights will not be tradable. The Dividend Rights do not carry any value beyond the right to elect to receive the Distribution in shares or in cash.

What happens if I do not exercise my Dividend Rights?

In case you do not make an election as to whether you would like to receive new CO Shares or cash, your Distribution will be paid out in cash.

What happens if I am not entitled to an integer number of CO Shares?

In case of election for shares, new CO Shares delivered are rounded down to the next integer number and fractions being paid out in cash. Please refer to the illustrative calculation examples on page 6 of this document for further information.

What happens if I do not hold enough existing CO Ordinary Shares to acquire a new CO Share?

If you do not hold the required number of existing CO Ordinary Shares (and therefore of Dividend Rights) needed to receive one new CO Share, your Distribution will be paid out in cash. You can only elect to receive new CO Shares if you hold at least the next integer number of CO Shares immediately above the number indicated by the divisor of the Conversion Ratio (i.e. Conversion Ratio is 1:120.500 (120.500 Dividend Rights for 1 new CO Share), you would have to hold at least 121 Ordinary Shares to elect to receive your Distribution in shares).

Which factors define the number of new CO Shares that I may receive as part of the Distribution?

The number of new CO Shares you can receive as part of your Distribution will be influenced by:

- The number of existing CO Ordinary Shares you hold as of record date on July 30, 2018.
- Each CO Ordinary Share will be allocated one Dividend Right.
- The Reference Share Price and thus the Conversion Ratio which defines how many Dividend Rights are required in order to receive one new CO Share as part of the Distribution.

What happens if I sell my Ordinary Shares during the Election Period?

On or around the ex-dividend day (being July 31, 2018), the Dividend Rights will be booked into your securities deposit account and will be treated separately from your existing Ordinary Shares. Therefore, a sale of Ordinary Shares during the Election Period does not influence your right to elect between shares and cash.

Can I select both shares and cash?

No, it is not possible to select the Distribution in the form of both shares and cash.

Is there any difference in the tax treatment whether I choose to receive new CO Shares or a cash distribution as part of the Distribution?

The Distribution paid out of retained earnings of Global Cord is not — irrespective of the Eligible Shareholder's election — subject to Cayman Islands income tax (for Cayman Islands resident individuals holding the shares as a private investment), Cayman Islands withholding tax or Cayman Islands transfer stamp tax. For U.S. holders of CO Shares, regardless of a U.S. holder's election to receive cash or new CO Shares, a U.S. holder that receives the Distribution will be treated as having received a taxable distribution with the consequences described in Global Cord's Annual Report on Form 20-F for the year ended March 31, 2017 under "United States Federal Income Taxation — U.S. Holders — Taxation of Cash Distributions Paid on Ordinary Shares." In the event of a U.S. holder that elects to receive new CO Shares in the Distribution, such holder generally would be treated as if it received a cash distribution in an amount equal to the fair market value of the new CO Shares (including fractional CO Shares) on the date of the Distribution and generally would have a tax basis in such CO Shares equal to such amount. In this situation, a U.S. holder may have taxable gain or loss on its receipt of cash in lieu of fractional CO Shares equal to the difference between the cash received and its basis in such fractional CO Shares. Eligible Shareholders are urged to consult their own tax advisors with respect to the tax consequences to them of the Distribution.

Is there any market risk for Eligible Shareholders electing to receive new CO Shares?

Yes, there is a certain market risk for Eligible Shareholders electing to receive new CO Shares. The Reference Share Price may be different from the currently prevailing market price of the CO Shares on the NYSE at the time of your election. For example, as of June 25, 2018, the 60 day VWAP of the CO Ordinary Shares was US\$9.64 whereas the closing price of a CO Share on the NYSE on that day was US\$10.11. Eligible Shareholders electing to receive new CO Shares would be acquiring those new CO Shares at a Reference Share Price different from the currently prevailing market price. Similarly, if the closing price of a CO Share on the NYSE decreases below the Reference Share Price between the time of the announcement of the Distribution and the Election Period, no adjustment will be made to the Reference Share Price and Eligible Shareholders electing to receive new CO Shares may be doing so at a price higher than the market price prevailing at the time of the election.

Distribution Restrictions

Except in connection with the issuance of new shares of Global Cord as part of the Distribution in the Cayman Islands, the PRC, certain selected European countries and the United States of America, no action has been or will be taken in any jurisdiction by Global Cord that would permit an issuance of new CO Shares or possession or distribution of this document or any other publicity materials relating to the issuance of new CO Shares as part of the Distribution in any country or jurisdiction where such action is required. The distribution of this document and the issuance of new CO Shares is restricted by law in certain jurisdictions. Persons in possession of this document are required to inform themselves about, and to comply with, any applicable laws that restrict the distribution of this document and the issuance of new CO Shares.

This document, as it relates to the share election option, is only addressed to “Eligible Shareholders,” i.e. to Global Cord shareholders:

- (i) located in the People’s Republic of China or the Cayman Islands;
- (ii) (X) located or resident in Austria, Belgium, France, Italy, Norway, the Principality of Liechtenstein, Sweden or the Netherlands or (Y) located in Germany, Spain and the United Kingdom (pursuant to and in accordance with Article 4(d) of Directive 2003/71/EC and subsequent amendments, as implemented in each relevant jurisdiction);
- (iii) (X) located or resident in countries of the European Economic Area, other than Austria, Belgium, France, Germany, Italy, Norway, the Principality of Liechtenstein, Spain, Sweden, The Netherlands and the United Kingdom; and (Y) who are “qualified investors” (as this term is defined in Directive 2003/71/EC and subsequent amendments, as implemented in each relevant jurisdiction);
- (iv) located in the United States of America; and
- (v) located in any other jurisdiction where it is lawful for the share election option to be made available by means of this Summary Document and in which no consents, licenses, approvals or authorizations of government, judicial or public bodies or authorities in that jurisdiction are required in connection with the share election option.

Global Cord shareholders should consult with their legal advisor, custodian bank or broker as to their eligibility to elect to receive new CO Shares and with their own advisors as to the legal, tax, business, financial and related aspects of the exercise of their right to elect to receive new CO Shares. Custodian banks or brokers should seek independent legal advice in advising their clients about their eligibility to elect to receive new CO Shares.

Risk factors

Before making an election for new CO Shares as part of the Distribution, Eligible Shareholders should carefully review and consider the risk factor section in the Global Cord Annual Report on Form 20-F for the year ended March 31, 2017, the risk factors below and the other information contained in this document. The realization of one or more of the events described in the risk factors could have a material adverse effect on Global Cord's business, cash flows, results of operations, financial condition, growth prospects or the trading price of the CO Shares. Shareholders should note that the risks discussed below and in the Global Cord Annual Report on Form 20-F for the year ended March 31, 2017 are not the only risks to which Global Cord is exposed. Additional risks, which are not presently known to Global Cord or which Global Cord currently believes are immaterial, could likewise result in a material adverse effect on its business, cash flows, results of operations, financial condition, growth prospects or the trading price of the Global Cord shares. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effects on Global Cord's business, cash flows, results of operations, financial condition, growth prospects or the trading price of the Global Cord shares.

Risks relating to the Distribution in the form of new CO Shares

Global Cord share price movements

Global Cord's share price is — in addition to being influenced by company-specific news and events — dependent on a number of factors that Global Cord cannot control, including general global and/or PRC economic conditions and market volatility. Accordingly, there is a risk that the price of the CO Shares could decline after the announcement of the final terms of the Distribution, therefore lowering the monetary value of the shares received. Global Cord's share price will also be influenced on or after the ex-dividend day due to the dilutive impact of the Distribution payout.

In addition, the Reference Share Price may be different from the currently prevailing market price of the CO Ordinary Shares on the NYSE at the time of election. For example, as of June 25, 2018, the 60 day VWAP of the CO Ordinary Shares was US\$9.64 whereas the closing price of a CO Share on the NYSE on that day was US\$10.11. Eligible Shareholders electing to receive new CO Shares would be acquiring those new CO Shares at a Reference Share Price different from the currently prevailing market price. Similarly, if the closing price of a CO Share on the NYSE decreases below the Reference Share Price between the time of the announcement of the Distribution and the Election Period, no adjustment will be made to the Reference Share Price and Eligible Shareholders electing to receive new CO Shares may be doing so at a price higher than the market price prevailing at the time of the election.

Eligible Shareholders who do not elect to receive new CO Shares as part of the Distribution may experience dilution in their shareholding

Dividend Rights that are not exercised prior to the end of the Election Period will expire. To the extent that an Eligible Shareholder does not elect to receive new CO Shares prior to the end of the Election Period or that an Eligible Shareholder elects to receive a cash distribution instead of new CO Shares, such shareholder's proportionate ownership and voting interests in Global Cord's outstanding share capital after the completion of the Distribution will be diluted.

Future issuances of equity or debt securities that are convertible into equity may result in a dilution of shareholding

Global Cord may choose to raise additional capital depending on market conditions or strategic considerations. To the extent that additional capital is raised through the issuance of equity or other securities that are convertible into equity, such issuance could further dilute a shareholder's proportional ownership and voting interest in Global Cord.

Global Cord's ability to pay distributions or make other distributions to its shareholders in the future may be restricted

Global Cord may decide not to, or be unable to, pay any distributions or make other distributions to its shareholders. Global Cord's ability to pay distributions to its shareholders depends on the existence or availability to Global Cord of sufficient distributable profits or capital. Even if there are sufficient distributable profits or capital available at the level of Global Cord or its subsidiaries, Global Cord may not pay a dividend or make other distributions for a variety of reasons including but not limited to regulations, taxes or operational reasons.