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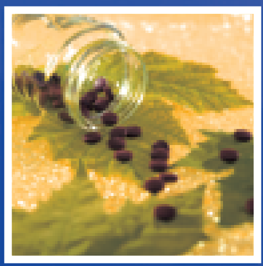
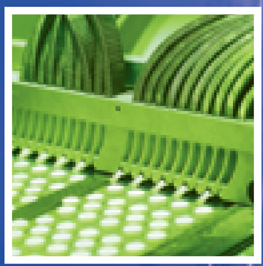
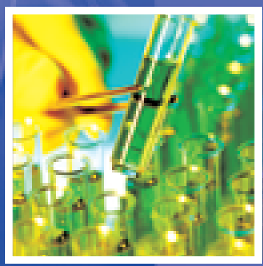


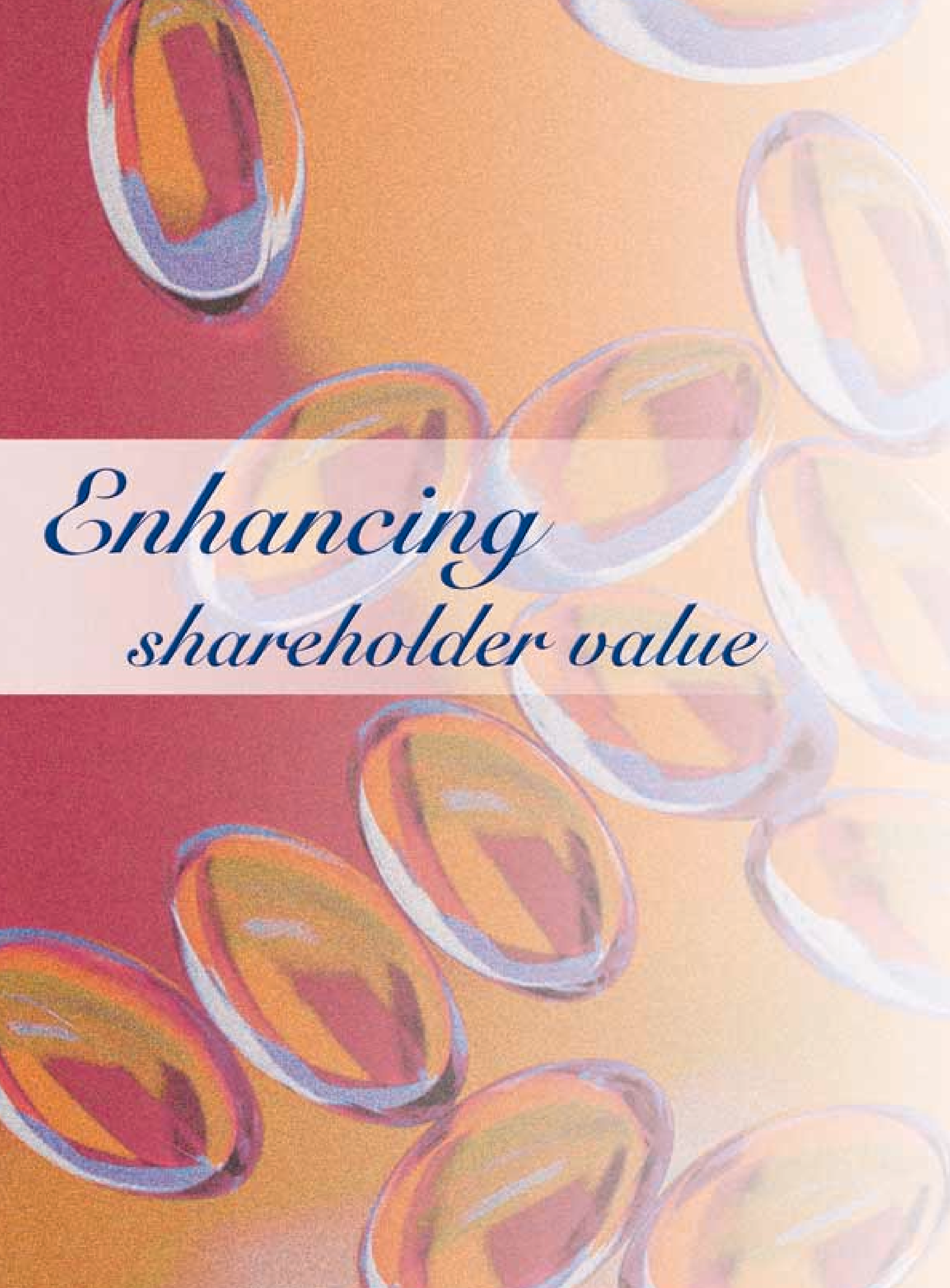
GOLDEN MEDITECH COMPANY LIMITED

金 衛 醫 療 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8180)

Enhancing shareholder value



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

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

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

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

Corporate Profile

Golden Meditech Company Limited (the "Company" or "Golden Meditech"; stock code: 8180.HK), together with its subsidiaries (collectively referred to as the "Group"), is a leading hi-tech integrated healthcare corporation in China. Golden Meditech operates a diversified portfolio of highly successful healthcare businesses in China, which include: the research, development, manufacture and distribution of medical devices and personal healthcare products; the storage and application of blood stem cells extracted from umbilical cords of newborn babies; and the research, development and manufacture of Chinese herbal medicines. The Group's mission is to contribute to people's health and welfare through the development and application of advanced medical technology, and to create value for its shareholders.

The Medical Device Segment is primarily engaged in the development, manufacture, sales and distribution of professional medical apparatus and personal health monitoring devices. The segment has focused for many years on the development of technologies for blood recovery, purification, treatment and preservation during surgery. The segment's flagship product, the Autologous Blood Recovery System, is the first of its kind to obtain the approval of State Food and Drug Administration ("SFDA") for manufacture in China. The segment is also engaged in the development of pioneering medical equipment in collaboration with a number of research institutes in China, and has recently branched out into the development of personal health monitoring devices, with the goal of bringing better health and quality of life to the general public.

The Cord Blood Bank Segment provides examination, separation, processing, and storage services for blood stem cells extracted from the umbilical cord blood of newborn babies. It is the first private cord blood bank operator in China and serves the largest addressable market. In addition to its services, the segment sponsors research into the medical applications of umbilical cord blood stem cells. Blood stem cells are currently used in life-saving treatments for blood diseases and offer enormous promise for treating many other medical conditions. Through this service and the related research, Golden Meditech aims to provide people with long-term health protection.

The Chinese Herbal Medicine Segment is involved in the development and manufacture of natural herbal medicines. Its TangHerb® product has proven, after stringent clinical trials, to effectively boost the immune systems of people infected with HIV, and alleviate some common symptoms of AIDS. TangHerb® is the first, and so far the only, proprietary Chinese herbal medicine of its kind to be granted a New Medicine Certificate by China's SFDA. Golden Meditech hopes to develop other natural herbal formulations to treat AIDS and other fatal diseases, and to promote Chinese herbal medicine to the rest of the world.

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

Business Structure

GOLDEN MEDITECH

Stock Code: 8180

Medical Device Segment

- Blood-related medical equipment
- Personal healthcare products
- Nationwide sales networks
- Research and development

Cord Blood Bank Segment

- Blood stem cell processing, separation, examination and storage
- Matching services for blood stem cell transplants
- Research on stem cell clinical applications

Chinese Herbal Medicine Segment

- TangHerb® – First SFDA-approved proprietary Chinese herbal medicine for AIDS treatment
- Research on natural herbal medicines

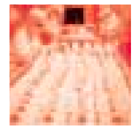
Summary of Financial Information

		2007 HK$'000	2006 HK$'000	% Change
Operating results	Turnover	341,074	280,578	22%
	Gross profit	210,490	188,137	12%
	Profit attributable to equity shareholders of the Company (excluded exceptional items)	223,365	136,220*	64%
	Gross profit margin	62%	67%	(5% pts)
	Net profit margin (excluded exceptional items)	68%	48%*	20% pts
	Basic earnings per share (excluded exceptional items)	HK14.8 cents	HK10.8 cents*	37%
	Final dividend per share	HK3.1 cents	—	N/A
Financial position	Total assets	3,044,038	2,526,813	20%
	Cash and bank balances	688,226	481,666	43%
	Total equity	2,722,305	2,105,047	29%
Financial ratios	Gearing ratio (total interest-bearing liabilities over total equity)	7.7%	11.7%	(4% pts)
	Current ratio (time)	3.5	4.5	(22%)

* Excluded exceptional gains from the listing of China Medical Technologies, Inc. ("CMED") and the subsequent partial disposal of the Group's interest in CMED and the one-off impairment loss in the Cord Blood Bank Segment in 2006.

Chairman's Statement

Chairman's Statement

As we look back over a journey of more than five years in which Golden Meditech has operated as a publicly listed company, I take great pride in the value we have created for our shareholders and the leadership we have maintained in a number of areas of the healthcare industry. In the past five financial years, we have on average grown the Group's turnover at a double-digit pace yearly with profit attributable to equity shareholders of the Company reaching new heights. In so doing, we have delivered on our pledge to generate stable and sustainable returns for shareholders.

We are very proud of these accomplishments and draw on this success to continue to work hard to attain our goals.

CORE STRENGTHS — NURTURING PIONEERING HEALTHCARE BUSINESSES

Golden Meditech's competitive advantages are in identifying and carving out a presence in untapped segments of the healthcare industry with substantial growth potential, and in commercialising pioneering healthcare products and services. Our ability to spot opportunities early on has often given us a critical first-mover advantage, as shown in the out-performance of our Autologous Blood Recovery System, cord blood bank service and TangHerb® over similar products and services. The success of China Medical Technologies, Inc. (Nasdaq code: CMED), the pioneering medical equipment manufacturer which was listed in 2005, is also noteworthy.

BUSINESS DIRECTION — CONTINUED STRATEGIC INVESTMENTS

Healthcare is undoubtedly one of the fastest growing industries in mainland China. The booming mainland Chinese economy has propelled demand for quality medical and healthcare products, and raised quality of life. These factors, together with an ageing population and the impact of the one-child policy, suggest there continues to be plenty of investment opportunities for us in China's healthcare sector.

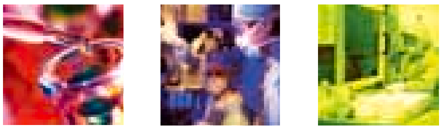
The research and development of hi-tech medical devices is often time consuming and requires considerable investment. To maintain our high growth rate, we continue to invest in the development of new products and services within our core businesses, whilst also prudently broadening our range of healthcare businesses by investing in hi-tech projects that have excellent growth prospects, high barriers to entry and the potential for value-generating synergies with our existing operations.

Since the Group's initial public offering, we have successfully captured several investment opportunities, steadily broadened our business areas, and generated impressive earnings and cash flow. Today, we are strongly positioned as a 'healthcare incubator', namely an enterprise which nurtures pioneering healthcare products and services, benefits from our nationwide medical device distribution network and hospital customer network, substantial production capabilities, and extensive experience in commercialising pioneering products and services.

The Group will continue to work hard to develop new products and services which are sensitive to market needs and can contribute to making society healthier. In addition, the Group will remain highly selective in accepting new investment opportunities to maximise returns for shareholders.

MARKET OBSERVATION — CHINA'S HEALTHCARE SECTOR BOOMS

Two thousand and six was a year full of challenges and changes for Chinese healthcare companies. New measures introduced by the mainland Chinese government to optimise the country's healthcare system and enhance market transparency have in the short term increased the administrative workload on hospitals. In the long term, however, we believe these measures will accelerate the development of the industry, as they will pave the way for a better regulated and healthier Chinese healthcare industry.



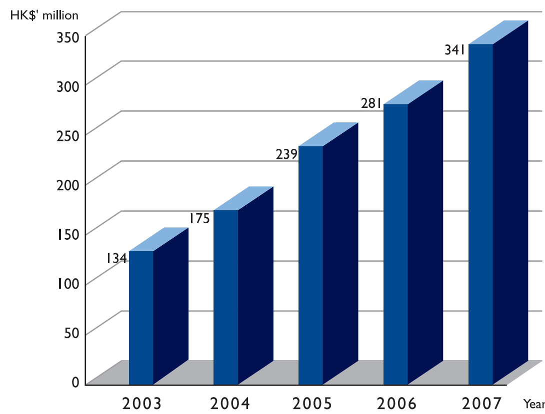
In addition, at the National People's Congress on the 11th Five-year plan, the mainland Chinese government announced it was going to increase funding significantly to improve healthcare infrastructure in rural areas. Although a detailed plan has yet to be released by authorities, we believe this initiative will boost demand for advanced medical equipment at rural hospitals, which will create business opportunities for Golden Meditech and help further enlarge our revenue base.

FINANCIAL HIGHLIGHTS

Golden Meditech's three core operations are at different stages of their business development lifecycle and target different customers. This business diversity allows us to maintain a robust rate of growth through changes in the mainland China healthcare system.

For the financial year under review, the Group's turnover rose 22% to HK$341,074,000, while profit attributable to equity shareholders of the Company excluding exceptional items in previous year surged by 64% to HK$223,365,000. Operating profit of core businesses went up 20%.

Historical Turnover 2003-2007



PROSPECTIVE BUSINESS DEVELOPMENTS — FURTHER EXPANSION

The Medical Device Segment

In China, our Medical Device Segment continues to be the leader in the research, development and production of blood-related medical devices. Two types of devices, which have been under development for years, have completed clinical trials and obtained approval from the State Food and Drug Administration. They are both Category Three medical devices, which means they are subject to the most stringent regulatory requirements. These products will be launched to the market in the near future.

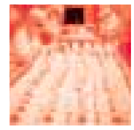
At the same time, the Group is looking to diversify its customer base from hospitals into the consumer space through a range of daily use personal health monitoring devices, which are currently under development and will be gradually released to the market going forward.

The Cord Blood Bank Segment

Since the Beijing cord blood bank opened for business in late 2003, its operating profit has grown by an average of more than 100% per year. On the back of this success, we opened a second Bank in May 2007 in Guangdong, one of the most affluent provinces of mainland China with around one million babies born every year. We are confident the new Bank will propel this Segment's growth strongly and generate even more significant cash flow for the Group.

The expansion into Guangdong is only the first step of the Segment's expansion plan. Umbilical cord blood stem cell storage is a business in its infancy both in China and overseas. The business potential is huge and we envisage exploring many new markets in the future.





The Chinese Herbal Medicine Segment

The commercial production of TangHerb® – the proprietary herbal formulation designed to enhance the immune system in AIDS sufferers – began in March 2006. The product's maiden turnover contribution reached HK$9,940,000 for the financial year, in line with our expectations.

We have begun researching into using natural herbal remedies to combat other fatal diseases, with the aim to contribute to society while generating attractive returns for our shareholders.

CORPORATE AWARDS — FROM HOME AND ABROAD

I am very pleased to report the Group's success has attracted media recognition at home and internationally. Respected business journal *Forbes Asia* selected Golden Meditech as one its 200 "Best Under a Billion" companies in October 2006. *Yazhou Zhoukan* (Asia Weekly) named the Group among its 2006 "Chinese Business 500". And reputable Hong Kong financial journal *Economic Digest* honoured Golden Meditech with its "Hong Kong Outstanding Enterprise 2006" award in November 2006.

In addition, a survey published by Deloitte Touche Tohmatsu in November 2006 acknowledged our cord blood bank operation as one of the 50 fastest growing hi-tech enterprises in mainland China and one of the top 500 hi-tech enterprises in the Asia-Pacific region.

Lastly, although our Chinese Herbal Medicine Segment is still at an early stage of development, its proprietary Chinese herbal product, TangHerb®, has been recognised by a number of domestic media organisations[1] as one of 100 most influential innovations in China in December 2006.

STAFF APPRECIATION

I would like to express my deepest gratitude, on behalf of the Board and shareholders, to the management team and all our staff for their dedication and efforts in driving Golden Meditech to another set of outstanding results in 2006/2007.

PROSPECTS

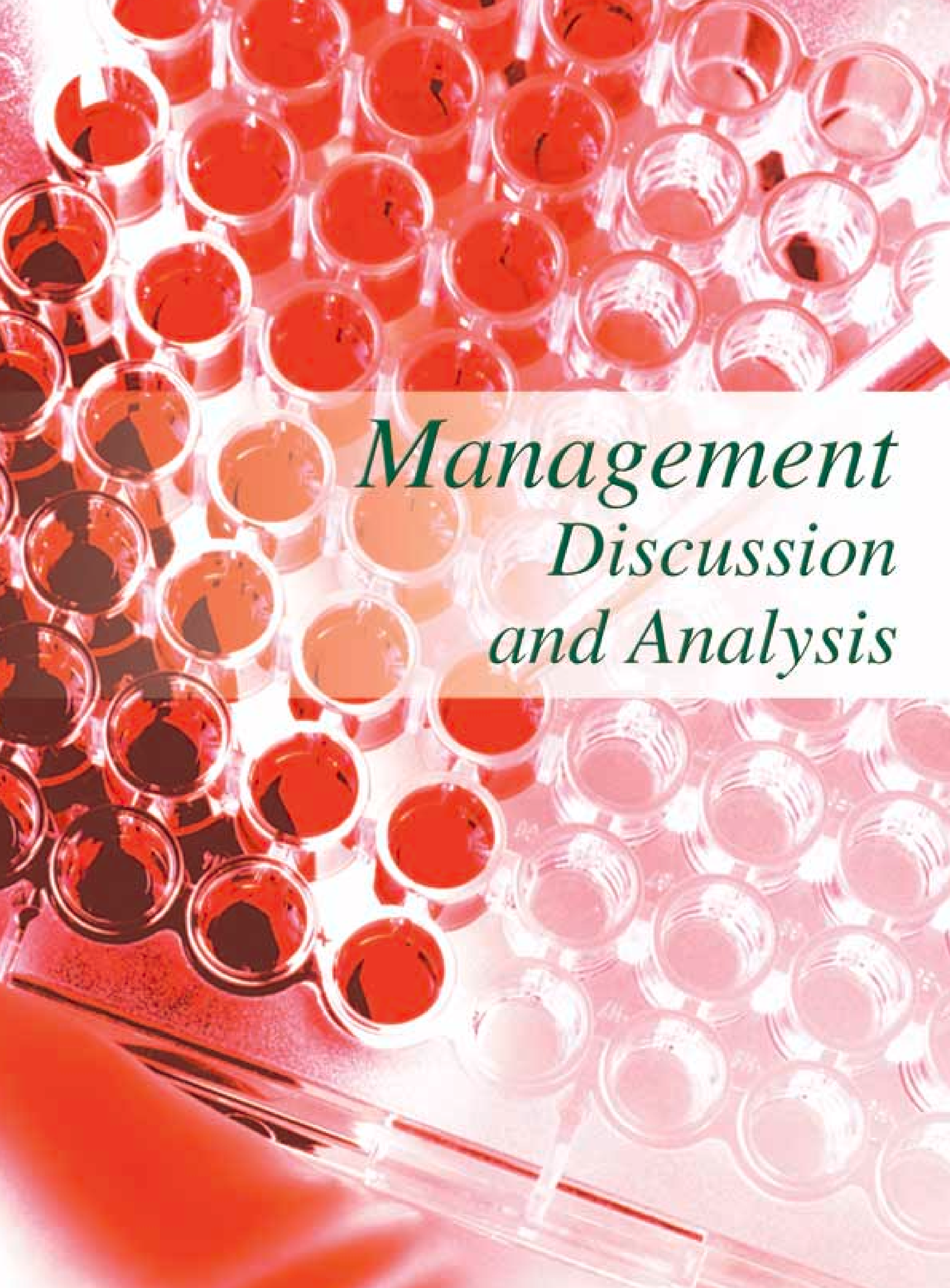
Regulatory changes may create more challenges for China's healthcare sector in the coming years, but we believe the Group's growth will remain strong and resilient benefit from our strategy of gradual diversification into new growth areas, as exemplified by the Cord Blood Bank Segment.

Golden Meditech's businesses occupy pre-eminent positions in their respective markets and benefit from the Group's close relationship with hospitals across the country. We place a strong emphasis on production efficiency and quality control processes to ensure our products and services are reliable and trustworthy. These factors, combined with our management team's deep understanding of China's healthcare sector, impart a powerful impetus for sustainable business growth. As such, I am confident that Golden Meditech can continue to create significant value for our shareholders.

KAM Yuen
Chairman

Hong Kong, 25 June 2007

[1] Jointly organised by the Publisher of *China Business Times* (《中華工商時報》社), the Publisher of *Science Technology Industry of China* (《中國科技產業》雜誌社), the Publisher of *Science Chinese* (《科學中國人》雜誌社) and the China National Radio (中央人民廣播電台).



Management Discussion and Analysis

BUSINESS REVIEW

Overview

Golden Meditech's performance during the financial year ended 31 March 2007 was robust. With the Group's core business interests diversified across a number of distinct segments of the healthcare industry with unique client bases and at different stages of development, the Group's overall growth remains strong and resilient.

Looking at individual businesses, the Medical Device Segment continues to dominate its market and generate substantial cash flow to fund the long-term business development for the Group, while the Cord Blood Bank Segment has entered into the take-off stage of its development lifecycle and is making an increasingly significant contribution to the Group. Lastly, the Chinese Herbal Medicine Segment remains at the start-up stage of its development lifecycle and is growing at a strong pace.

The Medical Device Segment — maintaining market dominance

The Medical Device Segment maintained its market leadership in the last financial year. The Segment's Autologous Blood Recovery System (ABRS) products – which collect, process and re-infuse a patient's blood during surgery, eliminating the need for traditional homologous blood transfusion and the related risk of contracting blood-borne diseases – are now in use in large-scale hospitals across the country.

However, the momentum in new equipment procurement by hospitals slowed during the year under review due to measures introduced by the government, including new procurement procedures, aimed at enhancing the efficiency and transparency of China's healthcare system. These regulatory changes, in turn, slowed growth in the Segment's ABRS machine sales, although sales of Disposable Chambers used in our ABRS machines continued to rise at double digit, indicating that usage of our ABRS machines is growing nationwide.

Despite the new regulatory measures, the Segment's overall turnover and operating profit amounted to HK$267,192,000 and HK$190,727,000 respectively during the financial year. We believe the impact of the new procurement regulations will be temporary and that the Segment's sales will recover their growth momentum in the near future.

The Group is diversifying its customer base from hospitals into the consumer space, and has been developing a range of personal health monitoring devices. To pave way for the sales of new products, the Group completed an acquisition of 50% equity interest in Beijing Pypo Technology Group Company Limited ("Beijing Pypo"), which possesses a nationwide network of sales channels for personal electronic goods, on 2 June 2006 for an aggregate cash consideration of RMB464,356,000 (equivalent to HK$450,743,000) inclusive of cost directly attributable of the acquisition.

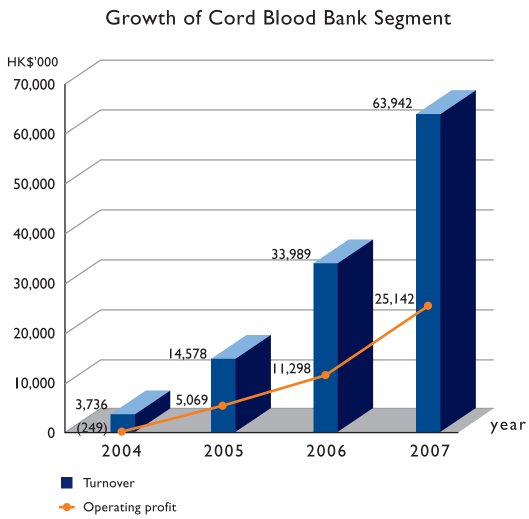
The Group plans to use Beijing Pypo's nationwide sales network to market its newly developed health monitoring devices to the target customers. The management believes this will result in considerable savings on establishing sales channels and on advertising, and maximising cost-effectiveness. Beijing Pypo's stable sales record, high liquidity, and robust financial position will also strengthen our earnings.

The management is confident that the Segment will continue to lead the market for the ABRS. At the same time, the Segment will continue to prudently expand its product portfolio into new untapped areas of demand in the healthcare market.

Cord Blood Bank Segment — first leap of expansion

The Cord Blood Bank Segment is at the 'take-off stage' of its business development lifecycle and experiencing tremendous growth. The Segment provides separation, processing, examination and storage of blood stem cells extracted from the umbilical cord blood of newborn babies. Currently, only four regions in China are permitted to provide cord blood storage services. Golden Meditech is the first mover in the field and the only cord blood storage service provider to hold two licences.

The Segment's cord blood bank operation in Beijing performed exceptionally well during the year under review. The Beijing operation's turnover surged by 88% to HK$63,942,000 year over year, while its operating profit rocketed 123% to HK$25,142,000 (2006: HK$11,298,000 as adjusted for the one off impairment loss of HK$11,185,000).



This impressive growth was driven by effective marketing promotions and the Group's extensive network of hospital customers. The business has also benefited from the increasing visibility of stem cell research in the media, and the Chinese public's growing understanding and acceptance of cord blood storage.

Expanding into Guangdong Province

On the back of its success in the country's capital, the Segment launched a second operation in Guangdong in May 2007. The management believes the new Bank has greater growth potential and will in time generate even stronger income than the Beijing Bank, given the number of birth in Guangdong is 10 times as great as that of Beijing, and Guangdong is one of China's wealthiest provinces.

As mentioned by Mr. KAM Yuen in the Chairman Statement, the Segment's entry into the Guangdong market is only the first step in an expansion plan, which aims to promote the cord blood storage service across China and in other regions.

The management is fully confident that, with effective marketing and growing public acceptance of cord blood storage, the Segment will deepen its market penetration and continue to generate substantial cash flow for the Group.

Successful share placements by subsidiary

To fund business expansion, China Stem Cells Holdings Limited ("CSC") – the subsidiary that holds our cord blood storage operations – made two new share placements in November 2006 and May 2007 which raised a total of US$43,001,000 of capital. In the period of less than four years since Golden Meditech took over management of the operation, CSC's valuation has surged by 567% from US$30 million to US$200 million.

The proceeds of the two recent share placements will be used to fund the building of new storage facilities and as general working capital. Following the share placements, the Group's stake in CSC was diluted to 52%.

The Chinese Herbal Medicine Segment — growing at strong pace

The Chinese Herbal Medicine Segment, which is engaged in the development and manufacture of Chinese natural herbal medicines, is currently at an early stage of commercialising products. It began commercial production of its first product, TangHerb®, in March 2006 and recorded a total turnover of HK$9,940,000 for the financial year.

TangHerb® is the first proprietary Chinese herbal medicine approved by the Chinese government for alleviating common AIDS symptoms. It is also effective in improving the immunity and quality of life of both HIV carriers and AIDS patients. TangHerb® is currently being supplied to the central government and to charitable organisations involved in the fight against AIDS in China for distribution to AIDS patients.

The Chinese government is actively educating the public about the threat of AIDS and is committed to the containment and treatment of the disease. Through TangHerb®, the Group hopes to contribute to this initiative and help the 650,000 people infected with HIV in China. The management is confident of TangHerb®'s market potential, given the product is closely aligned with the government's AIDS treatment policy.

Successful Placing of New Shares

In April 2006, the Group entered into a placing agreement to issue 252,824,000 new ordinary shares, representing approximately 19.8% of Golden Meditech's then existing issued share capital, at HK$2.4 per share. The placing raised HK$587,588,000 net of estimated expenses, which is to be used as working capital and reserve for potential investments in the future.

FINANCIAL REVIEW

Turnover

The Group continued to generate robust revenue growth during the year ended 31 March 2007, in line with the management's expectations. Turnover came to HK$341,074,000, which represented an increase of 22% compared with last year.

The Medical Device Segment remained the Group's principal source of revenue, accounting for 78% of total turnover. After three consecutive years of high growth, the Cord Blood Bank Segment generated 19% of the total turnover. The remainder came from a fresh source of revenue, namely our newly blossoming Chinese Herbal Medicine Segment. The management expects the Cord Blood Bank Segment and Chinese Herbal Medicine Segment to account for an expanding proportion of total revenue increase going forward.

Profit attributable to equity shareholders of the Company

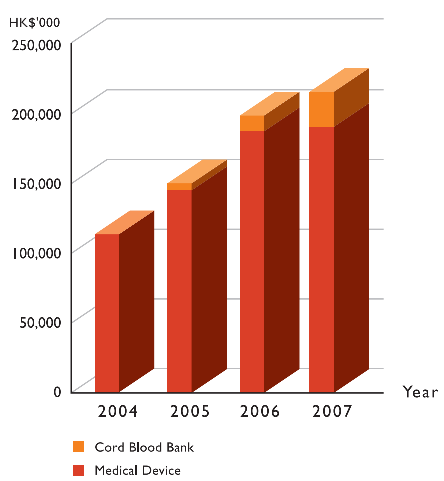
The Group maintained its earnings momentum during the year, with profit attributable to equity shareholders of the Company amounting to HK$223,365,000. Excluding the exceptional gains from the listing of China Medical Technologies, Inc. ("CMED") and the subsequent partial disposal of the Group's interest in CMED, and the one-off impairment loss in the Cord Blood Bank Segment in the previous financial year, profit attributable to equity shareholders of the Company increased by an impressive 64% rate during the year. This earnings growth was driven by organic business growth across all operating units. In addition, profit attributable to equity shareholders of the Company for the year under review was boosted by interest income, gains made on securities trading, and realised profits from derivative instruments linked to our CMED shareholdings.

Gross profit margin

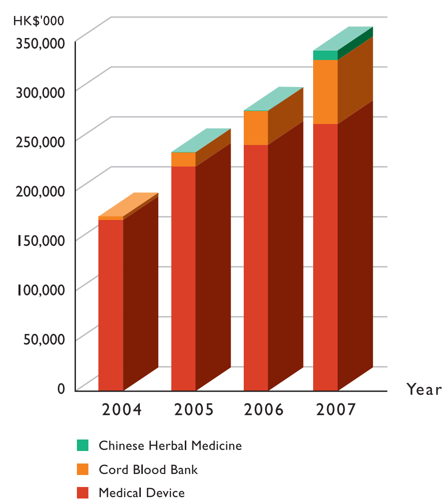
While the gross profit margins of both the Medical Device Segment and Cord Blood Bank Segment remained firm at high levels, the Group's overall gross margin fell to 62% during the year under review, compared with 67% in the previous financial year. This margin contraction is mainly the result of the full year's amortisation of intangible assets relating to the Chinese Herbal Medicine Segment.

Further, the gross profit margins of the Cord Blood Bank Segment and the Chinese Herbal Medicine Segment are lower than that of the Medical Device Segment. As the contributions of the Cord Blood Bank Segment and the Chinese Herbal Medicine Segment to the Group's turnover increased, the overall gross profit margin of the Group fell slightly compared to that of last year.

Operating Profit by Segment 2004-2007



Turnover by Segment 2004-2007



Other net income

Having a strong cash position, the Group took cautious and prudent approach to the buoyant capital markets during the year and invested in several low risk publicly traded securities, which generated a net gain of HK$20,135,000 for the year. In addition, to hedge our exposure to CMED shares, the Group entered into derivative contracts during the year, which resulted in a HK$52,828,000 realised gain.

Selling and administrative expenses

Total selling and administrative expenses for the year ended 31 March 2007 were HK$105,943,000 compared to HK$112,783,000 for the year ended 31 March 2006, which included a one-off impairment loss on construction in progress of the Cord Blood Bank Business of HK$11,185,000. Excluding the one-off impairment loss for the year ended 31 March 2006, the Group's selling and administrative expenses increased slightly by 4%. The increase was mainly due to legal and professional fees incurred during the year relating to professional advice on the corporate structure of the Group, which was one of the initiatives taken by the management to review the Group's positions to enhance its value to the shareholders. The Group has always adhered to prudent cost controls and will continue to ensure expenses are kept at a reasonable level.

Finance Costs

Finance costs decreased this year due mainly to the repayment of partial short-term loan, which reduced interest expense.

Dividend

Delivering sustainable returns to shareholders has always been the goal of Golden Meditech. After reviewing the Group's overall profitability, financial position, future capital requirements and market conditions, the Board recommends a final dividend of HK3.1 cents per share, an increase of 47% compared to the HK2.1 cents per share for the year ended 31 March 2005, or a 21% rise per year on a year-on-year basis. This dividend payment recommendation will be proposed at the forthcoming annual general meeting.

Capital structure, liquidity and financial resources

Assets and shareholder interests

The Group's total assets as of 31 March 2007 were HK$3,044,038,000, compared with HK$2,526,813,000 a year earlier, while shareholder interests came to HK$2,560,154,000 versus HK$2,055,998,000 a year earlier.

Liquidity

The Group's cash and bank balances at 31 March 2007 were HK$688,226,000, versus HK$481,666,000 a year earlier, while total bank borrowings were HK$110,122,000, compared with HK$134,587,000 a year earlier.

Financial resources

The Group has always maintained a sound financial position and has sufficient cash to satisfy future requirements.

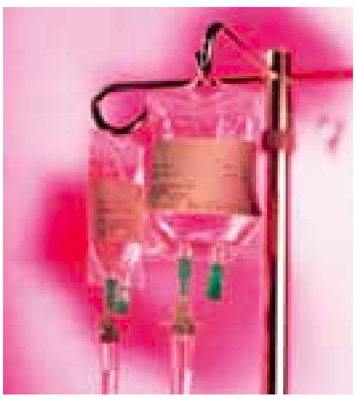
The Group's interest-bearing liabilities at 31 March 2007 totalled HK$208,958,000, compared with HK$246,864,000 a year ago. They included bank borrowings and the three-year convertible bonds issued in September 2004.

Gearing ratio

The Group's gearing ratio was 4.0% as at 31 March 2007 if calculated as a percentage of total interest-bearing liabilities (excluding the convertible bonds) over total equity, compared with 6.4% a year ago, and was 7.7% if calculated as a percentage of total interest-bearing liabilities (including the convertible bonds) over total equity, compared with 11.7% a year ago.

Exchange rate risk

The Group's sales and purchases are mainly transacted in Chinese Renminbi Yuan. The majority of the Group's assets and liabilities are also denominated in Chinese Renminbi Yuan. The management believes the upward pressure on the value of the Chinese Renminbi Yuan will continue to benefit the Group over the long run. No currency hedging arrangements were deemed necessary during the reporting period.



Employees

The Group had 418 full-time employees in Hong Kong and the PRC as at the end of the financial year, versus 372 full-time employees a year earlier. During the year, the Group incurred staff costs (including Directors' emoluments) of HK$55,347,000 compared with HK$66,744,000 in the previous financial year.

Treasury policies

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

Charges on group assets

As at 31 March 2007, the total book value of the assets charged for bank loans was HK$97,733,000, compared with HK$98,558,000 a year earlier.

Contingent liabilities

Details of contingent liabilities are set out in note 39 to the financial statements.

PROSPECTS

The Group's businesses all possess substantial long-term growth potential and occupy leading market positions in their respective sectors. They also possess growth drivers which are particular to their market spaces.

The Medical Device Segment has completed clinical trials of two new types of devices and have obtained approval from the State Food and Drug Administration. Both devices are the first of their kind to be developed and approved domestically, in line with Golden Meditech's strategy to seek first-mover advantage in new business. The Segment has also begun diversifying its client base away from hospitals into the consumer space. It is currently developing a series of personal health monitoring devices, which will gradually be launched to the retail market for health conscious consumers.

The Cord Blood Bank Segment's recent expansion into Guangdong will gradually build up critical mass. Customers are requested to pay an initial processing fee and an annual storage fee. As the number of new customers rises, the management expects this Segment to generate strong, recurring cash flow for the Group. The management is actively seeking to expand the cord blood storage services into more regions.

At the Chinese Herbal Medicine Segment, the research team has begun conducting the fourth phase of clinical trials of TangHerb®, which will allow the product to be sold as an over-the-counter drug. The management estimates TangHerb® will complete its clinical trials in a couple of years, paving the way for distribution nationwide of the product over the counter for easy access by the people living with HIV across the country.

In summary, the management believes it has laid solid foundations for the Group's future growth and will continue to build on that base through prudent business expansion and leveraging of the Group's competitive advantages. The Group remains committed to delivering sustainable returns for shareholders and, at the same time, contributing to society through products and services that enhance health and wellbeing.

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 March 2007.

Good corporate governance has always been recognised as vital to the Group's success and development. The Board is committed to achieving and maintaining high standards of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency, enhancing the performance of the Company and safeguarding the interests of the shareholders.

This report addresses the status of the Company's compliance with the principles and provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code").

THE CG CODE

The CG Code sets out the principles of good corporate governance and two levels of corporate governance practices, namely:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or give considered reasons for any deviation from; and

(b) recommended best practices (the "Recommended Best Practices") for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation from.

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions except for Code Provision A.2.1. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the CG Code.

THE BOARD

Responsibilities

The Board is responsible to the shareholders for providing effective leadership, and ensuring transparency and accountability of the Group's operations. It sets the Company's values and aims at enhancing shareholder value. It formulates the Group's overall strategy and policies; sets corporate and management targets, key operational initiatives, and policies on risk management pursuant to the Group's strategic objectives. It also monitors the Group's operational and financial performances; approves budgets, major capital expenditures, major investments, as well as material acquisitions and disposals of assets; oversees corporate and financial restructuring, and significant operational, financial and management matters.

The Board is also responsible for presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual, interim and quarterly reports, providing price-sensitive announcements and other financial disclosures as required under the GEM Listing Rules, and supplying to regulators all information required to be disclosed pursuant to any statutory requirement.

The Board delegates the day-to-day management, administration and operation of the Group's business to the management of the relevant segments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies. The delegated functions and tasks are periodically reviewed by the Board.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Composition

The composition of the Board reflects a balance of skills and experience desirable for effective leadership of the Company so that independent judgment of the Board of Directors can be assured.

The Board currently comprises four Executive Directors and three Independent Non-Executive Directors.

Executive Directors:

Mr. KAM Yuen *(Chairman)*
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-Executive Directors:

Prof. CAO Gang *(Chairman of Audit Committee and member of Remuneration Committee)*

Mr. GAO Zong Ze *(Chairman of Remuneration Committee and member of Audit Committee)*

Prof. GU Qiao *(member of Audit Committee and Remuneration Committee)*

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

The Directors' biographical details are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

Independent Non-Executive Directors

Throughout the year ended 31 March 2007, the Company met the requirement of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one in possession of appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each Independent Non-Executive Director a written annual confirmation of independence pursuant to the GEM Listing Rules and considers the Independent Non-Executive Directors to be independent.

The Independent Non-Executive Directors possess a wide range of financial expertise and experience. Their participation in Board and committee meetings helps to ensure that the interests of all shareholders of the Company are taken into account and that key issues vital to the success of the Company are subjected to independent and objective consideration by the Board.

Appointment and Succession Planning of Directors

Pursuant to the CG Code, there should be a formal, considered and transparent procedure for the appointment of new directors and plans should be in place for orderly succession for appointments to the Board.

The Company does not have a nomination committee. However, the Company follows a formal, considered and transparent procedure for appointing new Directors or nominating suitable candidates for approval of the shareholders either to fill the vacancies caused by the resignation of Directors or to appoint additional Directors.

The Board also regularly reviews its structure, size and composition to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group.

The appointment or nomination of new Directors is a collective decision of the Board. In the selection process, the proposed candidates' skills, experience, professional knowledge, personal integrity and time commitments are taken into account having regard to the Company's needs and the relevant statutory requirements and regulations.

Each Director shall, after his appointment and on a timely basis thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board by the Directors shall be subject to re-election at the first annual general meeting after appointment.

In accordance with the Company's Articles of Association, Ms. ZHENG Ting, Mr. GAO Zong Ze and Prof. CAO Gang shall retire by rotation at the annual general meeting of the Company to be held on 3 September 2007 and, being eligible, offer themselves for re-election. The Board recommends the re-appointment of the said Directors, whose biographical details are contained in the circular sent to the shareholders together with this annual report.

Each of the Executive Directors has entered into a service contract with the Company, commencing on 1 April 2005, which will continue until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. GAO Zong Ze and Prof. GU Qiao, both of whom are Independent Non-Executive Directors, have each entered into a service contract with the Company for a term of one year commencing on 28 December 2004 and continuing thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang, an Independent Non-Executive Director, has entered into a service contract with the Company for a term of one year commencing on 23 September 2004 and continuing thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

No new Director was appointed during the year ended 31 March 2007.

Training for Directors

Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the GEM Listing Rules and other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programs for directors.

Chairman and Chief Executive Officer

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. KAM Yuen is the chairman and chief executive officer of the Company responsible for managing the Board and the Group's businesses. The Board considers that this structure will not impair the balance of power and authority in view of the current composition of the Board, which comprises, inter alia, 3 Independent Non-Executive Directors who bring strong independent judgment, knowledge and experience to the Board's deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

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

Board Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2007, twenty-two Board meetings were held.

Attendance of each Director at meetings of the Board, Audit Committee and Remuneration Committee held during the year is set out below:

	Attendance/Number of Meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors:			
Mr. KAM Yuen *(Chairman)*	22/22	N/A	N/A
Ms. JIN Lu	22/22	N/A	N/A
Mr. LU Tian Long	22/22	N/A	N/A
Ms. ZHENG Ting	22/22	N/A	N/A
Independent Non-Executive Directors:			
Prof. CAO Gang	21/22	4/4	2/2
Mr. GAO Zong Ze	21/22	4/4	2/2
Prof. GU Qiao	21/22	4/4	2/2

Conduct of Meetings

In order to ensure the Board works effectively and discharges its responsibilities, all members of the Board have full and timely access to the latest developments and financial position of the Group and are properly briefed on issues arising for discussion at Board meetings.

All Directors are notified of regular Board meetings at least 14 days in advance. For other Board and committee meetings, reasonable notice is generally given.

Directors are consulted and provided with an opportunity to include matters in the agenda for discussion at Board and committee meetings. Information packages, including meeting agenda, board papers and all appropriate information, are sent to all Directors at least 3 days before each Board or committee meeting to enable them to make informed decisions.

The Company Secretary has the responsibility to keep the Directors informed of any new corporate governance issues and changes in the regulatory regime and ensure Board procedures are in compliance with the CG Code and other statutory requirements. All members of the Board have full access to the Company Secretary.

Minutes of Board and committee meetings are recorded in sufficient detail and draft minutes are circulated to all Directors and committee members, as the case may be, for comment before approval. Minutes of Board and committee meetings are kept by the Company Secretary and are open for inspection by Directors.

The Board is provided with sufficient resources to discharge its duties and if required, individual Directors may retain outside advisors, at the Company's expense, to provide advice on any specific matter.

According to the current Board practice, any transaction which involves a material conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting instead of by circulation of written resolutions of all Board members. The Company's Articles of Association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Audit Committee

The Company established an audit committee (the "Audit Committee") in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

The Audit Committee's primary duties include the following:

- to make recommendations to the Board on the appointment and removal of external auditors and to assess their independence and performance;
- to review the Company's financial statements and make sure that they are complete, accurate and fair before submission to the Board;
- to consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors;
- to ensure compliance with the applicable accounting standards and regulatory requirements on financial reporting and disclosure; and
- to ensure effectiveness of the financial reporting process, as well as internal controls and risk management systems of the Group and to monitor the integrity thereof.

Pursuant to the terms of reference of the Audit Committee, the Audit Committee shall meet at least four times every year. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues when the Audit Committee considers necessary. The external auditors of the Group may request a meeting with the Audit Committee if considered necessary.

The Audit Committee held four meetings during the year ended 31 March 2007. Working closely with the management of the Company, the Audit Committee has reviewed the Company's annual, interim and quarterly results, the accounting principles and practices adopted by the Group, discussed with the Board and management on internal controls, risk management and financial reporting matters, and reviewed the independence and performance of the external auditors. The Company's annual results for the year ended 31 March 2007 have been reviewed by the Audit Committee.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in June 2005 with written terms of reference in compliance with paragraph B1 of the CG Code.

The principal responsibilities of the Remuneration Committee include the following:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company;
- to determine the specific remuneration packages of all Executive Directors and senior management of the Company and to make recommendations to the Board on the remuneration of the Independent Non-Executive Directors; and
- to establish a formal and transparent procedure for developing the remuneration policy and structure and to ensure that no Director participates in deciding his/her own remuneration.

The emoluments of Directors, including basic salary and performance bonus, are determined by reference to each Director's skills, knowledge and level of responsibilities, the Company's performance and profitability, remuneration benchmarks in the industry and the prevailing market conditions.

Meetings of the Remuneration Committee are held at least once a year and additional meetings may be held as required. During the year, the Remuneration Committee has assessed the performance of each of the Executive Directors and certain senior management staff of the Company and approved the payment of a discretionary bonus based on their performance and contribution to the Company during they year.

Internal Controls

The Board has overall responsibility for maintaining the Group's internal controls system and through the Audit Committee, conducts reviews on the effectiveness of the internal controls system at least annually, covering all material controls, including financial, operational and compliance controls and risk management functions.

The Board is committed to strengthening the Group's internal controls system and improving the workflow with a view to enhancing efficiency and minimising any significant business risks. Accordingly, the Group has established a series of internal control rules and procedures covering all key areas of operations such as asset management, working capital management, investment management and human resources management, etc. The Group also refines continually the internal organisation structure in pursuit of a more systematic decision-making process and an efficient and effective operation and control environment.

Currently, the Group has not established an internal audit function. The Board has reviewed the need for setting up an internal audit function within the Group, and is of the opinion that in view of the scale and nature of the operations of the Group, it is more cost effective to appoint external independent professionals to carry out internal audit services for the Group. In this respect, the Board will continue to review the need for an internal audit function at least annually.

During the year, the Board appointed an international accounting firm Baker Tilly Hong Kong to conduct a review of the internal controls system of the Group which covered all key areas of financial, operational, compliance, and risk management functions, and the results of the internal control review were submitted to the Audit Committee for consideration. The Audit Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal controls is sound and adequate.

The Board will continue to review and improve the Group's internal controls system, taken into account the prevailing regulatory requirements, the Group's business development, interests of shareholders, and technological advances.

Directors' Securities Transactions

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

Specific enquiries by the Company indicate that all Directors have complied with the required standard of dealings for the year ended 31 March 2007.

Accountability and Audit

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's financial position and prospects. In preparing the financial statements for the year ended 31 March 2007, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgments and estimates that are prudent and reasonable and have prepared the financial statements on a going concern basis. There are no material uncertainties or events that may cast significant doubt on the Company's ability to continue as a going concern.

Messrs. KPMG, the external auditors of the Company, acknowledge their reporting responsibilities for the financial statements of the Company for the year ended 31 March 2007 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2007, the fees payable to the external auditors for audit services was HK$3,993,000 and fees payable for other services, primarily for non-statutory financial statement audit, was HK$800,000.

Investor Relations

The Company is committed to maintaining open dialogue with the investment community in order to increase understanding of the Company's strategy, operations and management. To enhance investor relations, the Company's senior management participates in regular one-on-one meetings, roadshows and investor conferences organised by various investment banks during the year. In addition, the Company also hosts regular investor briefings and tele-conferences, tailored for overseas investors, to keep them up to date with the Group's business developments.

The Company attaches great importance to communicating with its shareholders and investors. Information on the Group's activities, business strategies and developments is provided in the Company's annual, interim and quarterly reports, corporate brochures and video. During the year, the Chairman attended and presided at all general meetings. Shareholders were encouraged to attend the general meetings of the Company, which offered a valuable forum for dialogues and interactions between the Chairman, the top management and the shareholders.

Separate resolutions are proposed at general meetings on each substantially separate issue. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circulars sent to the shareholders at least 14 days before a general meeting and 21 days before the annual general meeting.

In order to promote effective communications and to keep the investors abreast of developments, financial and other information relating to the Group and its business activities, announcements are posted regularly on the Company's website at www.goldenmeditech.com.

DIRECTORS

Executive Directors

Mr. KAM Yuen (甘源), aged 45, is the Chairman, Chief Executive Officer and Compliance Officer of the Company, and the founder of the Group. Mr. Kam is also a Director of several subsidiaries of the Company. He is responsible for the Group's overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the PRC (北京第二外國語學院), in 1985 and has 20 years of management experience in international business. Mr. Kam is the sole director of Bio Garden Inc., which has an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Ms. JIN Lu (金路), aged 41, is an Executive Director of the Company and a Director of several of its subsidiaries. She joined the Group in June 2000 and is in charge of the general administration and daily operations of the Group. Ms. Jin received her EMBA degree from Peking University's Guanghua School of Management, the PRC (北京大學光華管理學院), in 2005, and received her bachelor's degree from the Beijing Second Foreign Languages Institute, the PRC, (北京第二外國語學院) in 1987.

Mr. LU Tian Long (魯天龍), aged 55, has been an Executive Director of the Company since September 2001. He is a Director and the General Manager of Jingjing. He is responsible for the production, operations and management of Jingjing.

Ms. ZHENG Ting (鄭汀), aged 34, is an Executive Director of the Company and a Director of several of its subsidiaries. She is responsible for the Group's financial and internal control systems. Ms. Zheng joined the Group in September 2001. She graduated from the Chinese People's University, the PRC, (中國人民大學) in 1996.

Independent Non-executive Directors

Prof. CAO Gang (曹岡), aged 62, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee. He joined the Group in September 2004. Prof. Cao is a professor of Accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently the Vice-president of the Beijing Society of Accountants.

Mr. GAO Zong Ze (高宗澤), aged 67, is an Independent Non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee. He joined the Group in September 2001. Mr. Gao is a qualified lawyer in the PRC and is also a National Committee member of China's Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the PRC, (中國社會科學院) in 1981.

Prof. GU Qiao (顧樵), aged 60, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee. He joined the Group in September 2001. Prof. Gu is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC (中國西北大學). He is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC, in 1989.

TECHNOLOGY DEVELOPMENT ADVISORY BOARD

The Group established a technology development advisory board (the "Technology Board") in 2000. As at 31 March 2007, the Technology Board comprised more than 40 experienced medical officers. The primary responsibilities of the Technology Board are (i) to develop the Group's key technical strategies; (ii) to monitor the progress of major technical programs; and (iii) to review proposals for the development of new products and production techniques. The five core members of the Technology Board are Prof. ZHANG Ming Li, Chairman of the Technology Board, Prof. PEI Xue Tao, Prof. WANG Bao Guo, Prof. TIAN Ming and Prof. LU Dao Pei.

Prof. ZHANG Ming Li (張明禮) is the Chairman of the Technology Board. He graduated from Peking University, the PRC, and is a cardiac and thoracic specialist. Prof. Zhang received the "Beijing Municipal Technology Progress Award" in 1986 for his invention of an external circulation pump monitoring equipment, the controlling automatic pressure releasing equipment, and the blood level monitoring and controlling equipment. He is currently the Chief Practitioner at the Faculty of Cardiac and Thoracic Surgery of Peking University Hospital, supervisor to doctoral candidates at the Faculty of Medicine of Peking University, an evaluation specialist on the Medical Equipment Evaluation Committee, a medical project evaluation specialist for the National Invention Foundation (國家創新基金醫療項目), and Instructor-in-charge of the "National Autologous Blood Recovery Technology Course", a national medical continuous-learning project.

Prof. PEI Xue Tao (裴雪濤) is the Director of the Field Blood Transfusion Research Institute of the Military Medical Science University (軍事醫學科學院野戰輸血研究所) and the Chief Practitioner of the Stem Cell Research Center (幹細胞研究中心). He is also the Deputy Chairman of the People's Liberation Army Medical Science Committee. He is a professor and supervisor to doctoral candidates of the Military Medical Science University. He received his doctoral degree from the Military Medical Science University in 1997.

Prof. WANG Bao Guo (王保國) is the Chief Practitioner of the Medical Affairs Department and Anaesthesiology Department of the Tiantan Hospital, Capital University of Medical Sciences (首都醫科大學天壇醫院). He is a supervisor to doctoral candidates in the Capital University of Medical Sciences and is on the editorial boards of three academic journals on Anaesthesiology. He is also the secretary of the Beijing Anaesthesiology Committee (北京麻醉專業委員會) and his research has earned him a number of technology awards granted by the Beijing Municipality.

Prof. TIAN Ming (田鳴) is the Chief Practitioner of Anaesthesiology of the Beijing Friendship Hospital (北京友誼醫院). He graduated from the China Medical University, the PRC, with a doctoral degree in Anaesthesiology in 1996. He has a solid background in the field of Anaesthesiology and has cooperated on numerous occasions with cardiac surgeons from the U.S., the U.K., Japan and Italy. In addition to publishing articles on his specialty, he is also involved in research into autologous blood transfusions. Prof. Tian has substantial experience in teaching and received two outstanding teacher's awards in 2000.

Prof. LU Dao Pei (陸道培) is an haematologist and expert in bone marrow transplants. He is currently an elected member of the Chinese Academy of Engineering, Vice President of the Chinese Medical Association ("CMA") (中華醫學會), as well as Chairman of the CMA's Council of Haematology. He is considered to be the founder and the primary driving force of blood stem cell research in the PRC. Prof. Lu was also the first to prove to the international community that the independent application of the realgar herb could cure acute myelogenous leukemia. Prof. Lu has received the China Science and Technology Progress Award and a number of other top scientific awards.

SENIOR MANAGEMENT

Mr. LU Shu Qi (路書奇), aged 59, Deputy General Manager of Jingjing, is responsible for the production, general management and daily operations of Jingjing. He graduated from Tsinghua University (清華大學), the PRC, and has over 20 years of management experience in production.

Mr. KONG Kam Yu (江金裕), aged 38, is a Qualified Accountant and the Company Secretary. He joined the Group in 2001, and is responsible for the Group's finances, corporate projects and company secretarial matters. Prior to joining the Group, Mr. Kong worked with a leading international accounting firm.

Mr. ZHANG Ji Hong (張積宏), aged 55, Deputy General Manager of Jingjing, is in charge of Jingjing's merchandise and supplies and subcontracting work. He has over 20 years of experience in the manufacturing industry. He studied Finance and Accounting at the Second Branch of Peking University, the PRC (北京大學二分院).

Ms. CUI Qi (崔琪), aged 54, Deputy General Manager and Finance Manager of Jingjing, is currently in charge of Jingjing's financial systems. She graduated from the Finance and Accounting Department of the Beijing Western District Employees' University, the PRC (北京西城區職工大學) and is a registered accountant in the PRC.

Mr. LIANG Bing Yue (梁冰岳), aged 42, is the Sales Manager of Jingjing. Mr. Liang graduated from the Fourth Military Medical University of the People's Liberation Army, the PRC (解放軍第四軍醫大學) in 1989. He has over 10 years of sales and marketing experience in the medical industry in the PRC and has a thorough understanding of the PRC's medical industry. He is highly experienced in designing sales and marketing strategies and opening up new sales channels.

Mr. GAO Guang Pu (高光譜), aged 44, is the Quality Control Manager of Jingjing. In addition to ensuring the quality of Jingjing's products, he is also responsible for various aspects of Jingjing's production technology, including product standards, production procedures and technological improvements.

Prof. LIU Kai Yan (劉開彥), aged 51, Chief Scientist of CSC, is in charge of research and development, and the formulation and implementation of technological standards. He received his doctoral degree in Medicine from Kyushu University, Japan (九州大學), and is the Chief Physician of the Department of Internal Medicine of the People's Hospital of Peking University, the Deputy Director of the Institute of Haematology of Peking University (北京大學血液病研究所) and a supervisor to doctoral candidates. Prof. Liu has over 20 years of experience in stem cell research and medical applications.

Mr. GAO Feng (高峰), aged 51, Chief Executive Officer of CSC, is responsible for the company's daily operations and management. Specialising in paediatrics, Mr. Gao graduated from the Capital University of Medical Sciences (首都醫科大學), the PRC, and then worked at the Beijing Children's Hospital (北京市兒童醫院). He has also worked for several well-known multinational healthcare companies. Mr. Gao has over 20 years of marketing and managerial experience in the medical equipment industry.

Ms. XU Xin (徐欣), aged 53, Chief Technical Officer of CSC, is in charge of the daily operations and logistic control of the company's laboratories. Ms. Xu has over 20 years of solid experience in cytobiology research and had lectured in cytobiology at Beijing Medical University (北京醫科大學).

Mr. CHEN Bing Chuen Albert （陳炳泉）, aged 31, is the Chief Financial Officer of CSC. He is in charge of CSC's finances, corporate developments and other legal related matters. He is a Chartered Financial Analyst holder and has extensive experience in corporate finance and capital market transactions. He obtained his Bachelor of Commerce degree from Queen's University, Canada, School of Business majoring in Finance and Accounting.

Ms. DENG Yue (鄧鉞), aged 37, Marketing Director of CSC, is in charge of designing and implementing the marketing campaign and managing the sales and marketing force of CSC. Ms. Deng graduated from NanKai University Tianjin Foreign Trade Institute (南開大學對外貿易學院), the PRC, and has over 10 years of marketing and management experience. Prior to joining the Group, she worked for a number of well-known multinational medical corporations.

Mr. ZHANG Ying (張穎), aged 36, is the Financial Controller of CSC. He is in charge of CSC daily financial management and internal control. Mr. Zhang graduated from the Beijing Financial Commerce College (北京財政貿易學院), the PRC, and has over 10 years of accounting experience.

Mr. SHAO Bao Ping (邵寶平), aged 41, Chief Executive Officer of Baisuihang, is in charge of Baisuihang's daily operations. Mr. Shao obtained his master's degree from the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences (中國科學院上海藥物研究所) and has extensive work experience in the fields of pharmacology and herbal medicine. Mr. Shao has held key positions in well-known enterprises in the PRC and has extensive corporate management experience.

Ms. YANG Li Ya (楊莉婭), aged 44, Chief Operating Officer of Baisuihang, oversees the whole manufacturing process of Baisuihang and is in charge of quality control. Ms. Yang has extensive managerial experience and has held senior managerial positions in a number of large PRC pharmaceutical companies. Ms. Yang obtained her master's degree in Pharmaceutical Engineering from the East China University of Science and Technology (華東理工大學), the PRC.

The directors have pleasure in submitting their annual report together with the audited financial statements of Golden Meditech Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

PRINCIPAL PLACE OF BUSINESS

Golden Meditech Company Limited is a company incorporated and domiciled in the Cayman Islands and has its principal place of business at Room 11, 7/F, Tower E1, Beijing Oriental Plaza, No. 1 East Chang An Ave., Dong Cheng District, Beijing, 100738 China.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's turnover, operating profit, assets and liabilities by business segments during the financial year is set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases during the financial year attributable to the major customers and suppliers respectively is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	47%	
Five largest customers in aggregate	79%	
The largest supplier		14%
Five largest suppliers in aggregate		45%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31 March 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 44 to 117 of this annual report.

RESERVES AND DIVIDENDS

Profit attributable to equity shareholders of the Company, before dividends, of HK$223,365,000 (2006: HK$563,824,000) have been transferred to reserves. Other movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 48 to 49 of this annual report.

The directors recommend a payment of a final dividend of HK3.1 cents per share (2006: HK$Nil) in respect of the year ended 31 March 2007.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,974,000 (2006: HK$150,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 15 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 34 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 35(a) to the financial statements.

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

Except for the repurchase of the Company's own ordinary shares as set out in note 35(a)(ii) to the financial statements, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer shares on a pro-rata basis to the existing shareholders.

DIRECTORS

The directors during the financial year were:

Executive Directors

Mr. KAM Yuen (Chairman)
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-Executive Directors

Prof. CAO Gang
Mr. GAO Zong Ze
Prof. GU Qiao

In accordance with Article 108 of the Company's Articles of Association, Ms. ZHENG Ting, Prof. CAO Gang and Mr. CAO Zong Ze will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the directors and senior management are set out on pages 29 to 32 of this annual report. Details of the emoluments of the directors and the five highest paid individuals are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company, commencing on 1 April 2005, which will continue until terminated by either party giving to the other not less than 90 days' notice in writing.

Independent Non-Executive Directors

Mr. GAO Zong Ze and Prof. GU Qiao have each entered into a service contract with the Company for a term of one year commencing on 28 December 2004 and will continue thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang has entered into a service contract with the Company for a term of one year commencing on 23 September 2004 and will continue thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 March 2007, the interests and short positions of the directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares in, and debentures of, the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, which were required, pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(a) The Company

		Long position/(short position) Number of ordinary shares of HK$0.1 each			
Name of directors	**Capacity and nature of interests**	**Corporate interests**	**Number of underlying shares held under equity derivatives**	**Total interests**	**Approximate percentage of the Company's issued share capital**
Mr. KAM Yuen	Interest of controlled corporation	433,916,000[(1)] (61,832,000)[(2)]	—	433,916,000 (61,832,000)	28.51% (4.06%)
	Beneficial owner	—	63,206,245[(3)]	63,206,245	4.15%
Mr. LU Tian Long	Beneficial owner	—	400,000[(3)]	400,000	0.03%
Ms. ZHENG Ting	Beneficial owner	—	2,000,000[(3)]	2,000,000	0.13%

Notes:

(1) Mr. KAM Yuen is the sole beneficial shareholder of the issued share capital of Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI") which owned 433,916,000 shares of the Company as at 31 March 2007.

(2) Mr. KAM Yuen was deemed under the SFO to have a short position in the shares by virtue of his interest in Bio Garden.

(3) These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share option schemes" below.

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

(b) China Stem Cells Holdings Limited ("CSC"), a subsidiary of the Company

	Number of ordinary shares of US$0.1 each			
Name of directors	**Capacity and nature of interests**	**Number of underlying shares held under equity derivatives**	**Total interests**	**Approximate percentage of the Company's issued share capital**
Mr. KAM Yuen	Beneficial owner	10,000[(1)]	10,000	0.69%
Ms. ZHENG Ting	Beneficial owner	30,000[(1)]	30,000	2.07%

Note:

(1) These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by CSC to the directors as beneficial owners, details of which are set out in the section headed "Share option schemes" below.

Save as disclosed above, as at 31 March 2007, none of the directors or the chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares in, or debentures of, the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(a) Share option scheme of the Company

Principal terms of the share option scheme of the Company are summarised in note 36(a) to the financial statements.

Share options under the share option scheme of the Company for the year ended 31 March 2007 is as follows:

Name of directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at 1 April 2006	Number of underlying shares in respect of which share options were outstanding as at 31 March 2007	Exercise price
				HK$
Mr. KAM Yuen	30 March 2005[(1)]	63,206,245	63,206,245	1.76
Mr. LU Tian Long	4 March 2005[(2)]	400,000	400,000	1.60
Ms. ZHENG Ting	4 March 2005[(2)]	2,000,000	2,000,000	1.60
Full-time employees (other than directors)	4 March2005[(2)]	11,970,000	11,970,000	1.60
		77,576,245	77,576,245	

Notes:

(1) The share options are exercisable as to:

(i) up to 20% immediately after 6 months from the date of grant;

(ii) up to 60% immediately after 18 months from the date of grant;

(iii) up to 100% immediately after 30 months from the date of grant; and

(iv) the share options will expire at the close of business on 3 March 2015.

(2) The share options are exercisable in full immediately 3 months after the date of grant and will expire at the close of business on 28 February 2015.

(3) No share options granted under the share option scheme adopted by the Company on 30 July 2002 and 30 March 2005 respectively were exercised, cancelled or lapsed during the year ended 31 March 2007.

SHARE OPTION SCHEMES *(Continued)*

(b) Share option scheme of a subsidiary

The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme by a subsidiary, CSC (the "CSC Scheme"). The CSC Scheme became effective on 21 September 2006 (the "Effectice Date"). Principal terms of the CSC Scheme are summarised in note 36(b) to the financial statements.

A summary of movements of share options under the CSC Scheme for the year ended 31 March 2007 is as follows:

Name of directors and employees	Date of grant	Number of underlying shares in respect of which share options were granted during the year	Number of underlying shares in respect of which share options were outstanding as at 31 March 2007	Exercise price
				HK$
Mr. KAM Yuen	21 September 2006[1]	10,000	10,000	450
Ms. ZHENG Ting	21 September 2006[1]	30,000	30,000	450
Full-time employees (other than directors)	21 September 2006[1]	60,000	60,000	450
		100,000	100,000	

Notes:

(1) The share options are exercisable as to:

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

(2) No share options granted under the CSC Scheme were exercised, cancelled or lapsed during the year ended 31 March 2007.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

	Long position/(short position)		Approximate percentage of the Company's
Name	**Capacity and nature of interest**	**No. of issued shares**	**issued share capital**
Bio Garden[1]	Beneficial owner	433,916,000 (61,832,000)	28.51% (4.06%)
Mr. Kent C. McCarthy[2]	Interest of controlled corporation	307,485,735	20.20%
Jayhawk China Fund (Cayman), Ltd.[2]	Investment manager	229,917,735	15.10%

Notes:

(1) Bio Garden is an investment holding company incorporated in the BVI. Mr. KAM Yuen is the sole beneficial shareholder of the entire issued share capital of Bio Garden.

(2) The interest disclosed by Mr. Kent C. McCarthy includes 229,917,735 shares held by Jayhawk China Fund (Cayman), Ltd.

Save as disclosed above, as at 31 March 2007, the directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public during the year ended 31 March 2007 and as at the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 March 2007 are set out in notes 32 and 34 to the financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 40 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 118 and 119 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 28 of this annual report.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Mr. GAO Zong Ze and Prof. GU Qiao, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the Independent Non-Executive Directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

KAM Yuen
Chairman
Hong Kong, 25 June 2007

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOLDEN MEDITECH COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Meditech Company Limited (the "Company") set out on pages 44 to 117, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 June 2007

Consolidated Income Statement

for the year ended 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	3 & 14	**341,074**	280,578
Cost of sales		**(130,584)**	(92,441)
Gross profit		**210,490**	188,137
Other revenue	4	**45,277**	22,166
Other net income/(loss)	5	**73,014**	(115)
Selling expenses		**(18,041)**	(13,954)
Administrative expenses		**(87,902)**	(98,829)
Profit from operations		**222,838**	97,405
Finance costs	6(a)	**(10,817)**	(12,431)
Gain on deemed disposal of an associate	11(a)	**—**	116,571
Gain on partial disposal of an associate	11(b)	**—**	322,218
Share of profits less losses of associates	19	**1,497**	39,975
Share of profits of jointly controlled entities	20(b)	**34,100**	—
Profit before taxation	6	**247,618**	563,738
Income tax	7(a)	**(16,967)**	(2,466)
Profit for the year		**230,651**	561,272
Attributable to:			
Equity shareholders of the Company	10	**223,365**	563,824
Minority interests		**7,286**	(2,552)
Profit for the year		**230,651**	561,272
Final dividend proposed after the balance sheet date	12	**47,189**	—
Earnings per share	13		
Basic (in cents)		**14.8**	44.5
Diluted (in cents)		**14.2**	42.7

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007		2006	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	15(a)				
– Property, plant and equipment			**267,838**		298,813
– Interest in leasehold land held for own use under operating leases			**5,293**		4,811
			273,131		303,624
Intangible assets	16		**516,581**		523,845
Goodwill	17		**74,450**		74,450
Interests in associates	19		**33,345**		30,395
Interests in jointly controlled entities	20		**504,509**		—
Available-for-sale equity securities	21		**561,936**		635,304
Non-current trade receivables	22		**11,824**		6,212
Non-current prepayments	23		**65,183**		55,104
Deferred tax assets	33(b)		**8,652**		9,397
			2,049,611		1,638,331
Current assets					
Trading securities	24	**6,417**		580	
Inventories	25	**35,760**		32,887	
Trade receivables	26	**166,544**		138,599	
Other receivables, deposits and prepayments	27	**97,480**		23,033	
Loan receivables	28	**—**		211,717	
Cash and bank balances	29	**688,226**		481,666	
		994,427		888,482	
Current liabilities					
Trade payables	30	**31,399**		46,076	
Other payables and accruals	31	**37,216**		110,536	
Bank loans	32	**110,122**		37,913	
Current taxation	33(a)	**5,637**		3,264	
Convertible bonds	34	**98,836**		—	
		283,210		197,789	
Net current assets			**711,217**		690,693
Total assets less current liabilities			**2,760,828**		2,329,024

Consolidated Balance Sheet *(Continued)*

at 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007		2006	
		$'000	**$'000**	$'000	$'000
Non-current liabilities					
Deferred income		**35,161**		14,833	
Other non-current liabilities		**3,160**		—	
Government grant		**202**		193	
Bank loans	32	**—**		96,674	
Convertible bonds	34	**—**		112,277	
			38,523		223,977
NET ASSETS			**2,722,305**		2,105,047
CAPITAL AND RESERVES					
Share capital	35(a)		**152,222**		127,621
Reserves	35(b)		**2,407,932**		1,928,377
Total equity attributable to equity shareholders of the Company			**2,560,154**		2,055,998
Minority interests			**162,151**		49,049
TOTAL EQUITY			**2,722,305**		2,105,047

Approved and authorised for issue by the board of directors on 25 June 2007

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 53 to 117 form part of these financial statements.

Balance Sheet

at 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007		2006	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment	15(b)		**4,331**		43
Interests in subsidiaries	18		**1,322,525**		854,870
			1,326,856		854,913
Current assets					
Trading securities	24	**6,417**		—	
Amount due from a subsidiary	18	**—**		28,273	
Other receivables, deposits and prepayments		**2,877**		883	
Cash and bank balances	29	**151,473**		5,280	
		160,767		34,436	
Current liabilities					
Other payables and accruals		**11,034**		7,824	
Bank loans	32	**9,000**		37,913	
Convertible bonds	34	**98,836**		—	
		118,870		45,737	
Net current assets/(liabilities)			**41,897**		(11,301)
Total assets less current liabilities			**1,368,753**		843,612
Non-current liabilities					
Convertible bonds	34		**—**		112,277
NET ASSETS			**1,368,753**		731,335
CAPITAL AND RESERVES					
Share capital	35(a)		**152,222**		127,621
Reserves	35(b)		**1,216,531**		603,714
TOTAL EQUITY			**1,368,753**		731,335

Approved and authorised for issue by the board of directors on 25 June 2007

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2007
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company												
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2006		127,621	450,039	—	14,722	54,193	28,028	44,677	513,587	—	823,131	2,055,998	49,049	2,105,047
Changes in fair value of available-for-sale equity securities		—	—	—	—	—	—	—	(138,708)	—	—	(138,708)	—	(138,708)
Exchange differences on translation of financial statements of companies outside Hong Kong		—	—	—	—	—	70,284	—	—	—	—	70,284	2,514	72,798
Net income/(expense) recognised directly in equity		—	—	—	—	—	70,284	—	(138,708)	—	—	(68,424)	2,514	(65,910)
Transfer to profit or loss on disposal of available-for-sale equity securities		—	—	—	—	—	—	—	(52,828)	—	—	(52,828)	—	(52,828)
Profit for the year		—	—	—	—	—	—	—	—	—	223,365	223,365	7,286	230,651
Total recognised income and expense for the year		—	—	—	—	—	70,284	—	(191,536)	—	223,365	102,113	9,800	111,913
Movements in equity arising from capital transactions:														
Equity-settled share-based transactions		—	—	—	3,645	—	—	—	—	—	—	3,645	682	4,327
Issue of shares	35(a)(i)	25,282	562,306	—	—	—	—	—	—	—	—	587,588	—	587,588
Capital contribution to a subsidiary	18	—	—	—	—	—	—	—	—	(29,731)	—	(29,731)	29,731	—
Acquisition of minority interests	18	—	—	—	—	—	—	—	—	(207,516)	—	(207,516)	(16,496)	(224,012)
Contribution from minority shareholders	18	—	—	—	—	—	—	—	—	63,249	—	63,249	89,385	152,634
Shares repurchased and cancelled	35(a)(ii)	(1,523)	(29,545)	1,523	—	—	—	—	—	—	(1,523)	(31,068)	—	(31,068)
Issue of shares upon conversion of convertible bonds	35(a)(iv)	842	16,113	—	(1,079)	—	—	—	—	—	—	15,876	—	15,876
Transfer to surplus reserve		—	—	—	—	—	—	16,556	—	—	(16,556)	—	—	—
		24,601	548,874	1,523	2,566	—	—	16,556	—	(173,998)	(18,079)	402,043	103,302	505,345
At 31 March 2007		152,222	998,913	1,523	17,288	54,193	98,312	61,233	322,051	(173,998)	1,028,417	2,560,154	162,151	2,722,305

		Attributable to equity shareholders of the Company												
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2005														
- as previously reported		126,413	433,469	—	—	54,193	(1,287)	29,487	—	—	307,035	949,310	50,343	999,653
- prior period adjustments in respect of:														
- HKFRS 2		—	3,559	—	905	—	—	—	—	—	(4,464)	—	—	—
- HKAS 32		—	—	—	8,358	—	—	—	—	—	(1,527)	6,831	—	6,831
- as restated		126,413	437,028	—	9,263	54,193	(1,287)	29,487	—	—	301,044	956,141	50,343	1,006,484
Changes in fair value of available-for-sale equity securities		—	—	—	—	—	—	—	513,587	—	—	513,587	—	513,587
Exchange differences on translation of financial statements of companies outside Hong Kong		—	—	—	—	—	29,315	—	—	—	—	29,315	1,258	30,573
Net income recognised directly in equity		—	—	—	—	—	29,315	—	513,587	—	—	542,902	1,258	544,160
Profit/(loss) for the year		—	—	—	—	—	—	—	—	—	563,824	563,824	(2,552)	561,272
Total recognised income and expense for the year		—	—	—	—	—	29,315	—	513,587	—	563,824	1,106,726	(1,294)	1,105,432
Dividend approved in respect of the previous year	12(b)	—	—	—	—	—	—	—	—	—	(26,547)	(26,547)	—	(26,547)
Movements in equity arising from capital transactions:														
Equity-settled share-based transactions		—	—	—	6,489	—	—	—	—	—	—	6,489	—	6,489
Shares issued under share option scheme	35(a)(iii)	588	3,284	—	(491)	—	—	—	—	—	—	3,381	—	3,381
Issue of shares upon conversion of convertible bonds	35(a)(iv)	421	7,579	—	(539)	—	—	—	—	—	—	7,461	—	7,461
Issue of shares for scrip dividend	35(a)(v)	199	2,148	—	—	—	—	—	—	—	—	2,347	—	2,347
Transfer to surplus reserve		—	—	—	—	—	—	15,190	—	—	(15,190)	—	—	—
		1,208	13,011	—	5,459	—	—	15,190	—	—	(15,190)	19,678	—	19,678
At 31 March 2006		127,621	450,039	—	14,722	54,193	28,028	44,677	513,587	—	823,131	2,055,998	49,049	2,105,047

The notes on pages 53 to 117 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2007
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Retained profits $'000	Total $'000
At 1 April 2006		127,621	450,039	—	14,722	138,953	731,335
Profit for the year		—	—	—	—	62,451	62,451
Movements in equity arising from capital transactions:							
Equity settled share-based transactions		—	—	—	2,571	—	2,571
Issue of shares	35(a)(i)	25,282	562,306	—	—	—	587,588
Shares repurchased and cancelled	35(a)(ii)	(1,523)	(29,545)	1,523	—	(1,523)	(31,068)
Issue of shares upon conversion of convertible bonds	35(a)(iv)	842	16,113	—	(1,079)	—	15,876
		24,601	548,874	1,523	1,492	(1,523)	574,967
At 31 March 2007		152,222	998,913	1,523	16,214	199,881	1,368,753

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Retained profits $'000	Total $'000
At 1 April 2005							
- as previously reported		126,413	433,469	—	—	65,119	625,001
- prior period adjustments in respect of:							
- HKFRS 2		—	3,559	—	905	(4,464)	—
- HKAS 32		—	—	—	8,358	(1,527)	6,831
- as restated		126,413	437,028	—	9,263	59,128	631,832
Profit for the year		—	—	—	—	106,372	106,372
Dividend approved in respect of the previous year	12(b)	—	—	—	—	(26,547)	(26,547)
Movements in equity arising from capital transactions:							
Equity settled share-based transactions		—	—	—	6,489	—	6,489
Shares issued under share option scheme	35(a)(iii)	588	3,284	—	(491)	—	3,381
Issue of shares upon conversion of convertible bonds	35(a)(iv)	421	7,579	—	(539)	—	7,461
Issue of shares for scrip dividend	35(a)(v)	199	2,148	—	—	—	2,347
		1,208	13,011	—	5,459	—	19,678
At 31 March 2006		127,621	450,039	—	14,722	138,953	731,335

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Operating activities			
Profit before taxation		**247,618**	563,738
Adjustments for:			
- Depreciation	6	**18,808**	22,027
- Amortisation of land lease premium	6	**189**	108
- (Gain)/loss on disposal of property, plant and equipment	5	**(74)**	42
- Government grants		**—**	(2,711)
- Amortisation of intangible assets	6	**30,685**	10,791
- Write-back of other payables		**—**	(390)
- Interest income	4	**(26,868)**	(2,580)
- Finance costs	6(a)	**10,817**	12,431
- Net realised and unrealised gain on trading securities	5	**(20,135)**	—
- Transfer from equity on disposal of available-for-sale equity securities	5	**(52,828)**	—
- Gain on deemed disposal of an associate	11(a)	**—**	(116,571)
- Gain on partial disposal of an associate	11(b)	**—**	(322,218)
- Share of profits less losses of associates	19	**(1,497)**	(39,975)
- Share of profits of jointly controlled entities	20(b)	**(34,100)**	—
- Impairment loss on construction in progress	15(a)	**—**	11,185
- Equity-settled share based payment expenses	6(b)	**4,327**	6,489
- Effect of foreign exchange rates		**(3,030)**	(1,311)
Operating profit before changes in working capital		**173,912**	141,055
Increase in inventories		**(1,325)**	(4,307)
Increase in trade receivables		**(21,422)**	(12,023)
Decrease/(increase) in other receivables, deposits and prepayments		**1,137**	(125,998)
Decrease in trade payables		**(16,846)**	(6,327)
Decrease in other payables and accruals		**(78,554)**	(44,865)
Increase in deferred income		**19,630**	8,807
Increase in other non-current liabilities		**3,160**	—
Cash generated from/(used in) operations		**79,692**	(43,658)
The People's Republic of China ("PRC") Income Tax paid		**(13,560)**	(11,767)
Net cash generated from/(used in) operating activities		**66,132**	(55,425)

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 March 2007
(Expressed in Hong Kong dollars)

	Note	**2007**	2006
		$'000	$'000
Investing activities			
Payment for construction in progress		**(5,536)**	(6,648)
Proceeds from disposal of construction in progress		**40,449**	27,717
Proceeds from disposal of property, plant and equipment		**728**	202
Payment for acquisition of property, plant and equipment		**(44,453)**	(4,923)
Capital injection to associate		**—**	(17,611)
Proceeds from partial disposal of associate		**—**	425,494
Payment for acquisition of jointly controlled entities		**(174,181)**	—
Proceeds from withdrawal of short-term deposits with original maturity over three months		**—**	38,198
Payment for available-for-sale equity securities		**(132,764)**	—
Payment for trading securities		**(54,401)**	—
Proceeds from the sale of trading securities		**64,515**	—
Increase in non-current trade receivables		**(5,320)**	—
Payment for purchase of minority interests	18	**(224,012)**	—
Earnest money for acquisition of subsidiary		**(31,297)**	—
Interest received		**26,492**	2,580
Net cash (used in)/generated from investing activities		**(539,780)**	465,009
Financing activities			
Proceeds from issue of ordinary shares	35(a)(i)	**587,588**	—
Payment for repurchase of shares	35(a)(ii)	**(31,068)**	—
Proceeds from new bank loans		**—**	9,000
Repayment of bank loan		**(28,913)**	(28,257)
Contribution from minority shareholders		**152,634**	—
Proceeds from shares issued under share option scheme	35(a)(iii)	**—**	3,381
Net proceeds from government grants		**—**	2,173
Dividend paid		**—**	(24,200)
Interest paid		**(8,650)**	(9,863)
Net cash generated from/(used in) financing activities		**671,591**	(47,766)
Net increase in cash and cash equivalents		**197,943**	361,818
Cash and cash equivalents at beginning of the year		**481,666**	117,847
Effect of foreign exchange rates changes		**8,617**	2,001
Cash and cash equivalents at end of the year	29	**688,226**	481,666

The notes on pages 53 to 117 form part of these financial statements.

1 BACKGROUND

Golden Meditech Company Limited (the "Company") was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs does not have material impacts on the Group's and the Company's financial statements for the current and the prior accounting periods.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 45).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and trading securities are stated at their fair value as explained in note 2(f).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 44 and 45.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

When the Group acquires any minority interests, no fair value adjustment is made to the identifiable net assets acquired. The excess of the purchase price over the carrying value of minority interests acquired is recognised in equity. Where the Group's interest in a subsidiary is decreased without losing control, any gain or loss on the partial disposal or deemed disposal is recognised in equity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 2(e) and (j)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)). In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interests in the associates and jointly controlled entities respectively.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities other than investments in subsidiaries, associates and jointly controlled entities are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(j)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Buildings	10 - 30 years
Leasehold improvements	Shorter of the estimated useful lives and unexpired term of the leases
Machineries	5 - 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

No depreciation is provided for construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The useful life of an asset is reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Licence and certificate	8 years
Capitalised development costs	20 years
Unpatented proprietary Chinese medicine formula	20 years
Operating rights for cord blood bank	30 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets;

— investments in subsidiaries, associates and jointly controlled entities; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion, appropriate share of overheads based on normal operating capacity and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(j)).

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any returns and allowances.

(ii) Service income

Revenue is recognised when the related services are rendered. Service income received in advance is recognised as deferred income in the consolidated balance sheet and recognised as income on a straight-line basis over the service period.

(iii) VAT refund

VAT refund is recognised as income in the accounting period in which it is earned.

(iv) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of autologus blood recovery machines ("ABRS Machines") and disposable blood processing chambers and related accessories ("Disposable Chambers"), provision of examination, processing, separation and storage services and application-related services for blood stem cells ("Cord Blood Bank"), and research and development, manufacture and sale of proprietary Chinese medicines.

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

Turnover recognised during the year is analysed as follows:

	2007	2006
	$'000	$'000
Sales of ABRS Machines	**216,765**	201,960
Sales of Disposable Chambers	**50,427**	44,351
Cord Blood Bank services	**63,942**	33,989
Sales of Chinese Herbal Medicine	**9,940**	278
	341,074	280,578

4 OTHER REVENUE

	2007	2006
	$'000	$'000
Interest income	**26,868**	2,580
VAT refund	**17,837**	16,485
Government grants	**572**	2,711
Sundry income	**—**	390
	45,277	22,166

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

5 OTHER NET INCOME/(LOSS)

	2007	2006
	$'000	$'000
Available-for-sale equity securities: transfer from equity on disposal	**52,828**	—
Net realised and unrealised gain on trading securities	**20,135**	—
Gain/(loss) on disposal of property, plant and equipment	**74**	(42)
Exchange gain	**55**	—
Others	**(78)**	(73)
	73,014	(115)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2007 $'000	2006 $'000
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	**6,867**	8,418
	Interest on convertible bonds	**3,557**	3,802
	Other borrowing costs	**393**	211
		10,817	12,431
(b)	Staff costs#:		
	Salaries, wages and other benefits	**50,283**	59,613
	Contributions to defined contribution retirement plans	**737**	642
	Equity settled share-based payment expenses	**4,327**	6,489
		55,347	66,744
(c)	Other items:		
	Cost of inventories#	**83,454**	71,871
	Amortisation of land lease premium#	**189**	108
	Amortisation of intangible assets#	**30,685**	10,791
	Depreciation of property, plant and equipment#	**18,808**	22,027
	Impairment loss on trade and other receivables	**1,031**	1,156
	Write-back of impairment loss on trade and other receivables	**—**	(9,574)
	Impairment loss on construction in progress	**—**	11,185
	Research and development costs	**4,664**	3,026
	Auditors' remuneration		
	— audit services	**3,993**	2,440
	— other services	**800**	2,300
	Operating lease charges in respect of#		
	— properties	**3,037**	2,752
	— other assets	**501**	411

Cost of inventories includes $12,052,000 (2006: $9,099,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 $'000	2006 $'000
Current tax - Outside Hong Kong		
PRC income tax for the year	**15,818**	11,863
Deferred tax		
Effect of change in tax rate	**2,702**	—
Origination and reversal of temporary differences	**(1,553)**	(9,397)
	1,149	(9,397)
	16,967	2,466

PRC income tax

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

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

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. From 1 January 2008, the income tax rate for the two subsidiaries mentioned above is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The two subsidiaries mentioned above do not have material deferred tax assets and liabilities as at 31 March 2007.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) *Taxation in the consolidated income statement represents:* *(Continued)*

PRC income tax (continued)

The rest of the Group's subsidiaries in the PRC are currently subject to PRC income tax at a rate of 33%. As a result of the new tax law, it is expected that the income tax rate applicable to these subsidiaries will be reduced from 33% to 25% from 1 January 2008. The new tax rate of 25% has been applied in the measurement of the Group's deferred tax assets as at 31 March 2007 arising from such subsidiaries and which are expected to be utilised subsequent to 1 January 2008.

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the years ended 31 March 2007 and 2006 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2007 **$'000**	2006 $'000
Profit before taxation	**247,618**	563,738
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**70,915**	154,098
Tax effect of non-deductible expenses	**21,709**	11,321
Tax effect of non-taxable revenue	**(28,347)**	(117,918)
Reduced tax rate approved by tax authorities	**(30,580)**	(30,418)
Income tax exemption	**(19,038)**	(13,484)
Tax effect of previously unrecognised deferred tax assets now recognised	**(1,333)**	(5,586)
Tax effect of unused tax losses not recognised	**939**	4,453
Effect of change in tax rate	**2,702**	—
Actual tax expense	**16,967**	2,466

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 March 2007

	Directors fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Share-based payments $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors						
Mr. KAM Yuen	—	1,847	11,843	2,746	12	16,448
Ms. JIN Lu	—	650	2,000	—	12	2,662
Mr. LU Tian Long	—	650	700	—	12	1,362
Ms. ZHENG Ting	—	650	2,000	527	12	3,189
Independent Non - Executive Directors						
Prof. CAO Gang	60	—	180	—	—	240
Mr. GAO Zong Ze	60	—	380	—	—	440
Prof. GU Qiao	60	—	80	—	—	140
	180	3,797	17,183	3,273	48	24,481

8 DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31 March 2006

	Directors fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Share-based payments $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors						
Mr. KAM Yuen	—	1,607	35,000	5,491	12	42,110
Ms. JIN Lu	—	663	—	—	12	675
Mr. LU Tian Long	—	663	—	28	12	703
Ms. ZHENG Ting	—	663	—	139	12	814
Independent Non - Executive Directors						
Prof. CAO Gang	60	—	—	—	—	60
Mr. GAO Zong Ze	60	—	—	—	—	60
Prof. GU Qiao	60	—	—	—	—	60
	180	3,596	35,000	5,658	48	44,482

The above emoluments include the value of share options granted to certain directors under the Company's and its subsidiary's share option schemes as estimated at the date of grant. Details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the directors' report and notes 2(q)(ii) and 36.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2006: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2006: three) individuals are as follows:

	2007	2006
	$'000	$'000
Salaries, allowances and other benefits	**1,014**	1,860
Discretionary bonuses	**2,000**	4,494
Share-based payments	**510**	219
Retirement benefits	**12**	36
	3,536	6,609

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil to $1,000,000	**—**	1
$1,500,001 to $2,000,000	**—**	1
$3,500,001 to $4,000,000	**1**	—
$4,000,001 to $4,500,000	**—**	1
	1	3

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $62,451,000 (2006: $106,372,000) which has been dealt with in the financial statements of the Company.

11 GAIN ON DEEMED DISPOSAL/PARTIAL DISPOSAL OF AN ASSOCIATE

(a) Gain on deemed disposal of an associate

On 10 August 2005, China Medical Technologies, Inc. ("China Medical")'s American Depositary Shares ("ADSs") were listed on NASDAQ. The initial public offering price was set at US$15.00 per ADS for the 6.4 million ADSs (representing 64 million ordinary shares) being offered. Immediately after the completion of the initial public offering, the Group's interest in China Medical was diluted from 25% to approximately 18.9%. In addition, 0.96 million ADSs (representing 9.6 million ordinary shares) were offered on 29 August 2005 pursuant to the exercise of an over-allotment option granted to the underwriters. The Group's interest in China Medical was further diluted to approximately 18.3% after the over-allotment option was exercised in full. The listing and the allotment resulted in a gain on deemed disposal of an associate of $116,571,000 for the year ended 31 March 2006.

(b) Gain on partial disposal of an associate

On 23 March 2006, a subsidiary of the Group entered into an underwriting agreement with China Medical, the other selling shareholders and the underwriters pursuant to which the selling shareholders agreed to sell to the underwriters an aggregate of 5.75 million of ADSs representing 57.5 million ordinary shares (including the exercise of the over-allotment option), of which 2.29 million ADSs representing 22.9 million ordinary shares were sold by the subsidiary to the underwriters. The purchase price was US$25.5 per ADS. Net consideration received totalled $425,494,000. After completion of the disposal, the Group's effective equity interest in China Medical was reduced from 18.3% to 9.9% after the completion date, 28 March 2006, and the remaining interest in China Medical was reclassified as available-for-sale equity securities (note 21). Therefore, the Group shared China Medical's profit or loss until the date of disposal and a gain on partial disposal of an associate of $322,218,000 was recognised in the consolidated income statement for the year ended 31 March 2006.

12 DIVIDEND

(a) Dividend payable to equity shareholders of the Company attributable to the year

	2007	2006
	$'000	$'000
Final dividend proposed after the balance sheet date of 3.1 (2006: nil) cents per ordinary share	**47,189**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007	2006
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of nil (2006: 2.1 cents) per ordinary share	**—**	26,547

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $223,365,000 (2006: $563,824,000) divided by the weighted average number of 1,510,133,000 (2006: 1,265,612,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	'000
Issued ordinary shares at 1 April	**1,276,211**	1,264,125
Effect of shares issued (note 35(a)(i))	**240,356**	—
Effect of shares repurchased and cancelled (note 35(a)(ii))	**(8,487)**	—
Effect of share options exercised (note 35(a)(iii))	**—**	258
Effect of conversion of convertible bonds (note 35(a)(iv))	**2,053**	300
Effect of scrip dividend (note 35(a)(v))	**—**	929
Weighted average number of ordinary shares at 31 March	**1,510,133**	1,265,612

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of $226,793,000 (2006: $567,626,000) and the weighted average number of 1,591,741,000 (2006: 1,330,230,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

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

	2007	2006
	$'000	$'000
Profit attributable to equity shareholders	**223,365**	563,824
After tax effect of effective interest on liability component of convertible bonds	**3,557**	3,802
Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under the share option scheme of a subsidiary for nil consideration (note 36(b))	**(129)**	—
Profit attributable to equity shareholders (diluted)	**226,793**	567,626

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

	2007	2006
	'000	'000
Weighted average number of ordinary shares at 31 March	**1,510,133**	1,265,612
Effect of conversion of convertible bonds (note 34)	**59,000**	61,053
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration (note 36(a))	**22,608**	3,565
Weighted average number of ordinary shares (diluted) at 31 March	**1,591,741**	1,330,230

14 SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

(i) Medical Device Segment: the development, manufacture and sale of medical devices including ABRS Machines and Disposable Chambers.

(ii) Cord Blood Bank Segment: the provision of blood stem cells examination, processing, separation and storage services and application-related services.

(iii) Chinese Herbal Medicine Segment: the research and development, manufacture and sale of proprietary Chinese medicines.

	Medical Device		Cord Blood Bank		Chinese Herbal Medicine		Inter-segment elimination		Consolidated	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Revenue from external customers	**267,192**	246,311	**63,942**	33,989	**9,940**	278	**—**	—	**341,074**	280,578
Segment result	**190,727**	187,532	**25,142**	113	**(32,935)**	(26,053)	**—**	—	**182,934**	161,592
Unallocated operating income and expenses									**39,904**	374,602
Finance costs									**(10,817)**	(12,431)
Share of profits less losses of associates and jointly controlled entities									**35,597**	39,975
Income tax									**(16,967)**	(2,466)
Profit after taxation									**230,651**	561,272
Depreciation and amortisation for the year	**10,027**	9,258	**5,183**	4,808	**34,272**	18,840	—	—	**49,482**	32,906
Unallocated depreciation and amortisation for the year									**200**	20
Total depreciation and amortisation for the year									**49,682**	32,926
Impairment loss on trade and other receivables	**—**	—	**1,031**	1,156	**—**	—	**—**	—	**1,031**	1,156
Write-back of impairment loss on trade and other receivables	**—**	(9,574)	**—**	—	**—**	—	**—**	—	**—**	(9,574)
Impairment loss on construction in progress	**—**	—	**—**	11,185	**—**	—	**—**	—	**—**	11,185
Segment assets	**728,507**	769,327	**490,487**	222,425	**542,412**	525,452	**(99,022)**	(45,473)	**1,662,384**	1,471,731
Interests in associates									**33,345**	30,395
Interests in jointly controlled entities									**504,509**	—
Unallocated assets									**843,800**	1,024,687
Total assets									**3,044,038**	2,526,813
Segment liabilities	**39,679**	51,069	**49,696**	32,583	**105,414**	84,215	**(99,022)**	(45,473)	**95,767**	122,394
Unallocated liabilities									**225,966**	299,372
Total liabilities									**321,733**	421,766
Capital expenditure	**3,152**	3,362	**2,032**	3,317	**6,432**	4,882	**—**	—	**11,616**	11,561
Unallocated capital expenditure									**4,487**	10
Total capital expenditure									**16,103**	11,571

The Group's turnover and operating profit derived from activities outside the PRC are insignificant. Therefore, no analysis by geographical segment is provided.

15 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'000	Machineries $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:									
At 1 April 2006	124,395	22,637	42,082	8,733	22,317	137,530	357,694	5,140	362,834
Exchange adjustments	5,724	1,041	1,936	401	1,022	6,329	16,453	236	16,689
Additions	404	3,126	1,036	4,072	1,929	5,536	16,103	—	16,103
Transfer	10,300	—	2,818	—	373	(13,946)	(455)	455	—
Construction materials sold to a contractor (note (iii))	—	—	—	—	—	(40,449)	(40,449)	—	(40,449)
Disposals	—	—	(62)	(2,274)	(63)	—	(2,399)	—	(2,399)
At 31 March 2007	140,823	26,804	47,810	10,932	25,578	95,000	346,947	5,831	352,778
Accumulated amortisation and depreciation:									
At 1 April 2006	18,414	7,934	15,591	3,626	13,316	—	58,881	329	59,210
Exchange adjustments	1,015	422	823	204	701	—	3,165	20	3,185
Charge for the year	6,789	2,401	4,296	1,599	3,723	—	18,808	189	18,997
Written back on disposal	—	—	(51)	(1,647)	(47)	—	(1,745)	—	(1,745)
At 31 March 2007	26,218	10,757	20,659	3,782	17,693	—	79,109	538	79,647
Net book value:									
At 31 March 2007	114,605	16,047	27,151	7,150	7,885	95,000	267,838	5,293	273,131

15 FIXED ASSETS *(Continued)*

(a) The Group (Continued)

	Buildings held for own use $'000	Leasehold improvements $'000	Machineries $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:									
At 1 April 2005	107,488	20,774	38,488	7,304	19,618	183,397	377,069	4,124	381,193
Exchange adjustments	2,836	549	1,017	194	516	4,840	9,952	109	10,061
Additions	—	327	627	1,876	2,093	6,648	11,571	—	11,571
Transfer	14,071	987	1,950	—	90	(18,005)	(907)	907	—
Construction materials sold to a contractor (note (iii))	—	—	—	—	—	(28,165)	(28,165)	—	(28,165)
Disposals	—	—	—	(641)	—	—	(641)	—	(641)
Impairment loss (note (iv))	—	—	—	—	—	(11,185)	(11,185)	—	(11,185)
At 31 March 2006	124,395	22,637	42,082	8,733	22,317	137,530	357,694	5,140	362,834
Accumulated amortisation and depreciation:									
At 1 April 2005	12,406	5,228	10,944	2,426	5,041	—	36,045	214	36,259
Exchange adjustments	392	167	340	82	225	—	1,206	7	1,213
Charge for the year	5,616	2,539	4,307	1,515	8,050	—	22,027	108	22,135
Written back on disposal	—	—	—	(397)	—	—	(397)	—	(397)
At 31 March 2006	18,414	7,934	15,591	3,626	13,316	—	58,881	329	59,210
Net book value:									
At 31 March 2006	105,981	14,703	26,491	5,107	9,001	137,530	298,813	4,811	303,624

15 FIXED ASSETS *(Continued)*

(a) The Group *(Continued)*

Notes:

(i) At 31 March 2007, the Group pledged interest in leasehold land and buildings with an aggregate carrying value of approximately $97,733,000 (2006: $98,558,000), as collateral against certain loans granted to the Group by a bank (see note 32).

(ii) Construction in progress as at 31 March 2007 represents renovation work in progress, machinery under installation and construction of storage facilities for blood stem cells and leasehold land and building for the production of proprietary Chinese medicines under construction.

(iii) Construction materials sold to a contractor

A contractor purchased certain construction materials for its own use and refunded certain amounts of prepaid construction fees during the years ended 31 March 2006 and 2007.

(iv) Impairment loss

During the year ended 31 March 2006, the management decided to abort two cord blood bank operations which were still under construction under the new expansion plan initiated by the new management team. As a result, the Group assessed the recoverable amount of these cord blood bank operations. Based on their assessment, the full carrying value of building materials attached to the respective cord blood banks under construction of $11,185,000 was written off (included in administrative expenses). No further impairment or write-down is considered necessary for the remaining cord blood banks under construction as at 31 March 2007.

(v) The analysis of net book value of properties is as follows:

	2007	2006
	$'000	$'000
Outside Hong Kong		
- under medium-term leases	**119,898**	110,792

15 FIXED ASSETS *(Continued)*

(b) The Company

	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
At 1 April 2006	—	—	84	84
Additions	3,093	477	917	4,487
At 31 March 2007	3,093	477	1,001	4,571
Accumulated depreciation:				
At 1 April 2006	—	—	41	41
Charge for the year	86	79	34	199
At 31 March 2007	86	79	75	240
Net book value:				
At 31 March 2007	3,007	398	926	4,331

15 FIXED ASSETS *(Continued)*

(b) The Company *(Continued)*

	Furniture, fixtures and equipment $'000
Cost:	
At 1 April 2005	74
Additions	10
At 31 March 2006	84
Accumulated depreciation:	
At 1 April 2005	21
Charge for the year	20
At 31 March 2006	41
Net book value:	
At 31 March 2006	43

16 INTANGIBLE ASSETS

	The Group				
	Licence and certificate $'000	Capitalised development costs $'000	Unpatented proprietary Chinese medicine formula $'000	Operating rights for cord blood bank $'000	Total $'000
Cost:					
At 1 April 2006	30,257	16,660	431,647	58,962	537,526
Exchange adjustments	1,392	767	19,860	2,766	24,785
At 31 March 2007	31,649	17,427	451,507	61,728	562,311
Accumulated amortisation:					
At 1 April 2006	1,576	347	7,119	4,639	13,681
Exchange adjustments	168	37	896	263	1,364
Charge for the year	3,861	850	23,966	2,008	30,685
At 31 March 2007	5,605	1,234	31,981	6,910	45,730
Carrying amount:					
At 31 March 2007	26,044	16,193	419,526	54,818	516,581

16 INTANGIBLE ASSETS *(Continued)*

	The Group				
	Licence and certificate	Capitalised development costs	Unpatented proprietary Chinese medicine formula	Operating rights for cord blood bank	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 April 2005	29,479	16,232	420,548	57,495	523,754
Exchange adjustments	778	428	11,099	1,467	13,772
At 31 March 2006	30,257	16,660	431,647	58,962	537,526
Accumulated amortisation:					
At 1 April 2005	—	—	—	2,744	2,744
Exchange adjustments	18	4	102	22	146
Charge for the year	1,558	343	7,017	1,873	10,791
At 31 March 2006	1,576	347	7,119	4,639	13,681
Carrying amount:					
At 31 March 2006	28,681	16,313	424,528	54,323	523,845

Licence and certificate represents the fair value on acquisition of a new medicine certificate for the production of TangHerb®, which has been approved by the State Food and Drug Administration to be used in enhancing the immune system of HIV carriers and AIDS patients and defer the progression of such illness. The value is amortised on a straight-line basis over its estimated useful life of eight years.

Capitalised development costs represent costs incurred in the development of TangHerb® and is amortised on a straight-line basis over its estimated useful life of twenty years.

Unpatented proprietary Chinese medicine formula represents the fair value on acquisition of a Chinese medicine prescription formula as well as production technology of TangHerb®. The Group is in the process of applying for the patent in respect of this Chinese medicine prescription formula and its production technology. The value is amortised on a straight-line basis over its estimated useful life of twenty years.

Operating rights for cord blood bank represent the rights for the provision of blood stem cells storage facilities and accessory services in the PRC. The amount is amortised on a straight-line basis over its estimated useful life of thirty years.

The amortisation charge for the year is included in cost of sales in the consolidated income statement.

17 GOODWILL

	The Group	
	2007	2006
	$'000	$'000
Cost:		
At 1 April and 31 March	**74,450**	74,450

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segments as follows:

	2007	2006
	$'000	$'000
Medical Device	**506**	506
Cord Blood Bank	**66,663**	66,663
Chinese Herbal Medicine	**7,281**	7,281
At 31 March	**74,450**	74,450

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 GOODWILL *(Continued)*

Key assumptions used for value-in-use calculations:

	2007	2006
	%	%
Gross margin		
- Medical Device	**70**	70
- Cord Blood Bank	**76**	65
- Chinese Herbal Medicine	**55**	35
Growth rate		
- Medical Device	**10**	10
- Cord Blood Bank	**7.5**	7.5
- Chinese Herbal Medicine	**24**	24
Discount rate		
- Medical Device	**11.9**	11.4
- Cord Blood Bank	**15.9**	15.4
- Chinese Herbal Medicine	**17.5**	17.0

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

18 INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	$'000	$'000
Unlisted equities, at cost	**1**	1
Amounts due from subsidiaries - non-current portion	**1,322,524**	854,869
	1,322,525	854,870
Amount due from a subsidiary - current portion	**—**	28,273
	1,322,525	883,143

Except for an amount due from a subsidiary of $28,273,000 at 31 March 2006 which is repayable within one year, amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment and operations	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong") #	The PRC	56.5%	-	100%	RMB200,000,000	Provision of blood stem cell storage facilities and accessory services
Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") #	The PRC	100%	-	100%	US$10,100,000	Manufacture and sale of medical devices
Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd. ("Qijieyuan") #	The PRC	69%	-	100%	RMB20,000,000	Research and development of proprietary Chinese medicines
China Bright Group Co. Limited	Hong Kong	100%	100%	-	$13,158	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operations	Proportion of ownership interest: Group's effective holding	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiaries	Issued/ registered capital	Principal activities
China Stem Cells Holdings Limited ("CSC")	Cayman Islands/ Hong Kong	56.5%	-	56.5%	US$1,452,000	Investment holding
China Stem Cells (South) Co., Ltd.	British Virgin Islands/ Hong Kong	100%	-	100%	US$1,000	Investment holding
Golden Meditech (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	-	US$1	Investment holding
Golden Meditech Herbal Treatment (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	-	US$1	Investment holding
Golden Meditech Medical Devices Distribution (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	-	US$1	Investment holding
Golden Meditech Stem Cells (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	-	US$1	Investment holding
GM Investment Company Limited	Hong Kong	100%	100%	-	HK$1	Investment holding
Qi Jie Yuan Medicine Holding (HK) Limited ("QJY Holding")	British Virgin Islands/ Hong Kong	69%	-	69%	US$100	Investment holding
Shanghai Baisuihang Pharmaceutical Co., Ltd. ("Baisuihang")*	The PRC	75.2%	-	100%	RMB41,558,000	Manufacture and sale of proprietary Chinese medicines

\# Registered under the laws of the PRC as foreign investment enterprises.

* Registered under the laws of the PRC as a limited liability company.

18 INTERESTS IN SUBSIDIARIES *(Continued)*

As at 1 April 2006, the Group held 51% equity interest in CSC, which in turn holds 100% equity interest in Jiachenhong. During the year, the following transactions took place which led to an increase in the Group's shareholding in CSC to 56.5%:

(i) On 28 August 2006, a wholly-owned subsidiary of the Company assigned to CSC a loan to Jiachenhong of $94,886,000, in exchange for CSC issuing an additional 210,000 shares to the Group, resulting in the Group's shareholding in CSC increasing from 51% to 59.5% of the expanded issued capital of CSC.

(ii) On 28 September 2006, the Group acquired an additional 8.3% equity interest in CSC from a minority shareholder, for a consideration of $64,012,000, satisfied in cash. The Group's shareholding in CSC thereby increased to 67.8%.

(iii) On 9 November 2006, the Company, CSC and eight independent subscribers entered into subscription agreements pursuant to which CSC issued a total of 242,000 new ordinary shares to the eight subscribers ("the placement"). The newly issued shares represent 20% of the then issued share capital of CSC immediately before the placement or 16.7% of the enlarged issued share capital of CSC. The subscription price was US$82.65 per share and the total consideration was US$20,001,000, equivalent to $156,008,000. The placement was completed on 22 November 2006 and led to dilution in the Group's shareholding in CSC to 56.5%.

As at 1 April 2006, the Group held 51% equity interest in QJY Holding, which holds 100% equity interest in Qijieyuan. On 28 December 2006, the Group acquired a further 18% equity interest in QJY Holding, for a consideration of $160,000,000, satisfied in cash. This led to an increase in the Group's equity interest in QJY Holding to 69%. Jingjing, a wholly owned subsidiary of the Group, holds 20% equity interest in Baisuihang and Qijieyuan holds the remaining 80% equity interest. The acquisition of the 18% equity interest in QJY Holding therefore led to an increase in the Group's effective equity interest in Baisuihang from 60.8% at 1 April 2006 to 75.2% at 31 March 2007.

The excess of the purchase consideration over the carrying value of minority interests acquired in the above transactions of $237,247,000 and the increase in the Group's share of net assets of CSC resulting from the placement of $63,249,000 are charged/credited to other reserve in consolidated equity (see note 35(b)(viii)).

19 INTERESTS IN ASSOCIATES

	The Group	
	2007	2006
	$'000	$'000
Share of net assets	**33,345**	30,395

The following list contains only the particulars of an associate which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of establishment and operation	Proportion of ownership interest by the Group	Issued/ registered capital	Principal activities
Union China National Medical Equipment Co., Ltd.	Incorporated	The PRC	37.8%	US$10,000,000	Sale and distribution of medical devices

Summary financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit
	$'000	$'000	$'000	$'000	$'000
2007					
100 per cent	275,187	(186,973)	88,214	155,786	3,959
Group's effective interest	104,021	(70,676)	33,345	58,887	1,497
2006					
100 per cent	111,271	(30,862)	80,409	486,362	188,539
Group's effective interest	42,060	(11,665)	30,395	121,050	39,975

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 $'000	2006 $'000
Share of net assets	**167,407**	–
Goodwill	**337,102**	–
	504,509	–

During the year, the Group acquired 50% equity interest in Beijing Pypo Technology Group Company Limited ("Beijing Pypo") and its subsidiaries at a consideration of RMB464,356,000 (equivalent to HK$450,743,000), inclusive of costs directly attributable to the acquisition.

Particulars of Beijing Pypo are as follows:

Form of business structure	Place of establishment and operation	Proportion of ownership interest held by the Group	Issued/registered capital	Principal activity
Incorporated	The PRC	50%	RMB100,000,000	Manufacture and distribution of personal electronic goods

(a) Goodwill on acquisition of jointly controlled entities

Goodwill arising from acquisition of jointly controlled entities is allocated to the Group's share of net assets in Beijing Pypo as a CGU for the purpose of annual impairment tests.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2007
Gross margin	8.5%
Growth rate	9.4%
Discount rate	16.9%

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

The recoverable amount of the CGU is higher than its carrying amount based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

(b) Summary financial information on jointly controlled entities - group's effective interest:

	2007
	$'000
Non-current assets	420,320
Current assets	497,009
Non-current liabilities	(7,777)
Current liabilities	(405,043)
Net assets	504,509
Income	970,741
Expenses	(936,641)
Profit for the year	34,100

21 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group	
	2007	2006
	$'000	$'000
Listed outside Hong Kong, at market value	**429,172**	635,304
Unlisted equity securities, at cost	**132,764**	—
	561,936	635,304

22 NON-CURRENT TRADE RECEIVABLES

The amount represents instalments receivable from the rendering of blood stem cells ancillary services, and is expected to be recovered after 1 year.

23 NON-CURRENT PREPAYMENTS

Included in non-current prepayments are earnest money of $31,297,000 (2006: $55,104,000) and deposits for the acquisition of properties of $31,942,000 (2006: $Nil). The earnest money as at 31 March 2007 was paid in connection with the acquisition of a 90% equity interest in a PRC entity which has been granted the right to operate a cord blood bank. The amount was applied against the purchase consideration upon completion of the acquisition in May 2007.

Earnest money as at 31 March 2006 was paid in connection with the acquisition of 50% interest in Beijing Pypo, and has been applied against the purchase consideration upon completion of the acquisition in June 2006.

24 TRADING SECURITIES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Equity securities listed outside Hong Kong, at market value	**6,417**	580	**6,417**	—

25 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2007	2006
	$'000	$'000
Raw materials	**3,240**	3,027
Work in progress	**5,040**	4,826
Finished goods	**27,480**	25,034
	35,760	32,887

Included in finished goods are preservation costs related to cord blood stem cells of $22,809,000 (2006: $20,001,000). Preservation costs consist primarily of direct labour and materials including laboratory expenses, blood stem cells collection fees and indirect costs including allocations of costs from relevant departments and facility depreciation.

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	$'000	$'000
Carrying amount of inventories sold	**83,454**	71,871

26 TRADE RECEIVABLES

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

	The Group	
	2007	2006
	$'000	$'000
Within 6 months	**145,908**	127,727
Between 7 and 12 months	**19,618**	9,452
Over one year	**1,018**	1,420
	166,544	138,599

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

The Group's credit policy is set out in note 37(a).

27 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments of the Group at 31 March 2007 is a receivable of $74,530,000 (2006: $Nil) from the disposal of available-for-sale equity securities, which is expected to be recovered within one year.

Other receivables, deposits and prepayments are expected to be recovered within one year.

Included in other receivables, deposits and prepayments of the Group are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2007	2006
	'000	'000
United States Dollars	**USD9,555**	USD —

28 LOAN RECEIVABLES

During the year ended 31 March 2006, the Group entered into a sale and purchase agreement to conditionally acquire 50% equity interest in Beijing Pypo. Subsequent to the signing of the sale and purchase agreement, the Group provided Beijing Pypo with an unsecured and interest bearing loan repayable within six months. If the sale and purchase agreement was not approved either by the shareholders at the general meeting or by the relevant administration authorities for industry and commerce in the PRC, the Group would be entitled to receive interest at a rate not lower than the prevailing lending rate of PRC banks in respect of the loan. The acquisition was completed on 2 June 2006 and the loan was applied against the purchase consideration.

29 CASH AND BANK BALANCES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deposits with banks	**214,150**	4,811	**147,581**	4,811
Cash at bank and on hand	**474,076**	476,855	**3,892**	469
	688,226	481,666	**151,473**	5,280

Included in cash and bank balances are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
	'000	'000	**'000**	'000
United States Dollars	**USD 39,498**	USD24,876	**USD18,022**	USD12

30 TRADE PAYABLES

The Group is normally granted credit terms of 1 to 3 months from its suppliers. Details of the ageing analysis of trade payables are as follows:

	The Group	
	2007	2006
	$'000	$'000
Due within 3 months or on demand	**31,399**	46,076

31 OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals of the Group as at 31 March 2006 were accruals for directors' and employees' bonuses totalled $35,351,000 and $4,615,000, respectively. The amounts have been settled during the year ended 31 March 2007.

Other payables and accruals are expected to be settled within one year.

32 BANK LOANS

At 31 March 2007, the bank loans were repayable as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**110,122**	37,913	**9,000**	37,913
After 1 year but within 2 years	**—**	96,674	**—**	—
	110,122	134,587	**9,000**	37,913

At 31 March 2007, the bank loans were secured as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Secured	**101,122**	96,674	**—**	—
Unsecured	**9,000**	37,913	**9,000**	37,913
	110,122	134,587	**9,000**	37,913

Bank loan of $101,122,000 (2006: $96,674,000) is secured by interest in leasehold land and buildings as detailed in note 15(a).

33 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) *Current taxation in the consolidated balance sheet represents:*

	The Group	
	2007	2006
	$'000	$'000
PRC income tax payable	**5,637**	3,264

(b) *Deferred tax (assets)/liabilities recognised:*

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowance in excess of related depreciation	**Future benefit of tax losses**	**Others**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax arising from:				
At 1 April 2005	—	—	—	—
Credited to income statement (note7(a))	—	(9,397)	—	(9,397)
At 31 March 2006	—	(9,397)	—	(9,397)
At 1 April 2006	—	(9,397)	—	(9,397)
(Credited)/charged to income statement (note 7(a))	(2,955)	3,212	892	1,149
Exchange adjustments	(74)	(352)	22	(404)
At 31 March 2007	(3,029)	(6,537)	914	(8,652)

(c) *Deferred tax assets not recognised:*

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $32,765,000 (2006: $35,053,000) and deductible temporary differences of $25,124,000 (2006: $33,397,000) as it is not probable that future taxable profits against which the losses and deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses of the Group's PRC subsidiaries totalling $3,697,000 (2006: $5,635,000) will expire during 2007 to 2011. Other tax losses do not expire under the current tax legislation.

34 CONVERTIBLE BONDS

	The Group and the Company	
	2007	2006
	$'000	$'000
Convertible bonds	**98,836**	112,277

Upon the completion of the acquisition of Qijieyuan on 6 September 2004, the Company issued convertible bonds with a principal amount of $226,400,000 as part of consideration for the acquisition of Qijieyuan. As at 31 March 2007, the principal amount of outstanding convertible bonds was $100,000,000 (2006: $116,000,000).

The convertible bonds bear interest at the rate of 1% per annum and will mature on 5 September 2007. The outstanding principal amount of the bonds may be converted into ordinary shares of the Company at an initial conversion price of $3.8 per share, subject to adjustment in certain circumstances, from 6 December 2004 to 5 September 2007. As a result of the bonus issue of shares on 23 September 2004, the conversion price has been adjusted to $1.9 per share in accordance with the terms of the convertible bonds. During the year ended 31 March 2007, convertible bonds with a principal amount of $16,000,000 (2006: $8,000,000) were converted into 8,421,000 (2006: 4,210,000) ordinary shares of $0.1 each (note 35(a)(iv)).

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

The convertible bonds are expected to be settled within one year.

35 CAPITAL AND RESERVES

(a) Share capital

	Note	**2007** No. of shares ('000)	**2007** $'000	2006 No. of shares ('000)	2006 $'000
Authorised:					
Ordinary shares of $0.1 each		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 April		**1,276,211**	**127,621**	1,264,125	126,413
Issue of shares	(i)	**252,824**	**25,282**	—	—
Shares repurchased and cancelled	(ii)	**(15,232)**	**(1,523)**	—	—
Shares issued under share option scheme	(iii)	**—**	**—**	5,880	588
Issue of shares upon conversion of convertible bonds	(iv)	**8,421**	**842**	4,210	421
Issue of shares for scrip dividend	(v)	**—**	**—**	1,996	199
At 31 March		**1,522,224**	**152,222**	1,276,211	127,621

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

35 CAPITAL AND RESERVES *(Continued)*

(a) *Share capital* *(Continued)*

Notes:

(i) Issue of shares

On 13 April 2006, the Company entered into placing and subscription agreements to place 252,824,000 new ordinary shares at $2.4 per share. Total proceeds of $587,588,000, net of share issue expenses, were raised and $25,282,000 was credited to share capital and the balance of $562,306,000 was credited to the share premium account.

(ii) Repurchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased ('000)	Highest price paid per share $	Lowest price paid per share $	Aggregate price paid $'000
August 2006	5,748	2.07	1.94	11,646
September 2006	6,920	1.93	1.89	13,151
November 2006	2,172	2.48	2.30	5,172
December 2006	392	2.55	2.48	978
	15,232			30,947

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of $1,523,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $29,545,000, including related expenses of $121,000 was charged to the share premium account.

(iii) Shares issued under share option scheme

During the year ended 31 March 2006, options were exercised to subscribe for 5,880,000 ordinary shares of $0.1 each at a consideration of $3,381,000 of which $588,000 was credited to share capital and the balance of $2,793,000 was credited to the share premium account. An amount of $491,000 has also been transferred from capital reserve to the share premium account in accordance with the policy set out in note 2(q)(ii).

During the year ended 31 March 2007, no options were exercised to subscribe for the ordinary shares of the Company.

35 CAPITAL AND RESERVES *(Continued)*

(a) *Share capital* *(Continued)*

Notes: *(Continued)*

(iv) Issue of shares upon conversion of convertible bonds

During the year, 8,421,000 (2006: 4,210,000) ordinary shares of $0.1 each were issued upon the conversion of convertible bonds. The share capital and share premium accounts of the Company have been increased by approximately $842,000 (2006: $421,000) and $16,113,000 (2006: $7,579,000) respectively following the conversion. An amount of $1,079,000 (2006: $539,000) has also been transferred from capital reserve to the share premium account in accordance with the policy set out in note 2(m).

(v) Issue of shares for scrip dividend

During the year ended 31 March 2006, the Company offered its shareholders a scrip dividend alternative under which shareholders could elect to receive ordinary shares of $0.1 each in lieu of the 2005 final dividend. On 13 October 2005, 1,996,000 ordinary shares of $0.1 each were issued and allotted to the electing shareholders and credited as fully paid at the issue price of $1.176 per share.

No ordinary share was issued for scrip dividend during the year ended 31 March 2007.

35 CAPITAL AND RESERVES *(Continued)*

(b) Reserves

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Share premium	**998,913**	450,039	**998,913**	450,039
Capital redemption reserve	**1,523**	—	**1,523**	—
Capital reserve	**17,288**	14,722	**16,214**	14,722
Merger reserve	**54,193**	54,193	**—**	—
Exchange reserve	**98,312**	28,028	**—**	—
Surplus reserve	**61,233**	44,677	**—**	—
Fair value reserve	**322,051**	513,587	**—**	—
Other reserve	**(173,998)**	—	**—**	—
Retained profits	**1,028,417**	823,131	**199,881**	138,953
	2,407,932	1,928,377	**1,216,531**	603,714

Nature and purpose of reserves:

(i) Share premium

Under the Companies Law (2004 Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) Capital reserve

The capital reserve comprises the following:

– the fair value of the actual or estimated number of outstanding share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(q)(ii); and

– the value of the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2(m).

(iv) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of shares issued by the Company in exchange thereof.

35 CAPITAL AND RESERVES *(Continued)*

(b) Reserves (Continued)

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(vi) Surplus reserve

According to the relevant rules and regulations in the PRC, Jingjing and Jiachenhong are required to appropriate 10% of after-tax profit (after offsetting prior year losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. Thereafter, any further appropriations can be made at the directors' discretion. The surplus reserve can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on condition that the surplus reserve shall be maintained at a minimum of 25% of the registered capital after such issuance.

(vii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(f).

(viii) Other reserve

The following are charged/credited to other reserve in accordance with the accounting policy set out in note 2(c):

(i) the excess of purchase consideration on acquisition of minority interests over the carrying value of share of net assets acquired; and

(ii) gain on deemed disposal of subsidiary where the Group's interest in a subsidiary is decreased without losing control.

(c) Distributability of reserves

At 31 March 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $199,881,000 (2006: $138,953,000). After the balance sheet date, the directors proposed a final dividend of 3.1 cents per ordinary share (2006: $Nil). The dividend has not been recognised as a liability at the balance sheet date.

36 SHARE OPTIONS

(a) Share option scheme of the Company

(i) The principal terms of the share option scheme of the Company are summarised as follows:

(1) The Company adopted a share option scheme on 30 July 2002 (the "2002 Scheme"). The Company by shareholders' resolutions passed at the extraordinary general meeting held on 30 March 2005 has adopted a new share option scheme (the "Scheme") and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. The Scheme shall be valid and effective until 29 March 2015.

(2) The purpose of the Scheme is to recognise the contribution of the executives, employees, directors (including non-executive directors and independent non-executive directors), consultants, advisers and agents of the Company and its affiliates (the "Participants") by granting share options to them as incentives or rewards.

(3) The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at 30 March 2005, the date the Scheme was adopted. Pursuant to the Scheme, the total number of shares available for issue in respect thereof was 63,206,245 ordinary shares, representing approximately 4.2% of the issued share capital of the Company as at the date of this annual report. The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time.

(4) Pursuant to the Scheme, the total number of shares issued and to be issued upon the exercise of all share options granted and to be granted to each Participant (including both exercised and outstanding share options) in any 12-month period up to and including the offer date shall not exceed 1% of the shares in issue as at the offer date. The Company may grant share options in excess of such limit, subject to shareholders' approval in general meeting.

(5) Pursuant to the Scheme, a share option may be exercised at any time during a period notified by the Board to the grantee, such period shall not be longer than 10 years from the date of offer.

(6) Pursuant to the Scheme, a share option may be granted by the Board upon any terms and conditions as it may think fit subject to the rules of the Scheme and the GEM Listing Rules. Save for this, there is neither any performance targets that need to be achieved by the grantee nor any minimum period for which a share option must be held before a share option can be exercised.

(7) Pursuant to the Scheme, acceptance of an offer must be made by the grantee by the date specified in the offer as the last date for acceptance, together with a remittance in favour of the Company of $1 by way of consideration for the grant.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

(a) Share option scheme of the Company (Continued)

(i) The principal terms of the share option scheme of the Company are summarised as follows: (continued)

(8) Pursuant to the Scheme, the exercise price shall be determined by the Board, but shall not be less than the higher of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which an offer is made to a Participant, which must be a business day;

(b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an offer is made; and

(c) the nominal value of the shares.

(9) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price HK$	As at 31 March 2007 Number	As at 31 March 2006 Number	Vesting conditions	Contractual life of options
Options granted to directors:					
- on 4 March 2005 ("Option 1")	1.60	2,400,000	2,400,000	- immediately 3 months after the date of grant	Expire at the close of business on 28 February 2015
- on 30 March 2005 ("Option 2")	1.76	63,206,245	63,206,245	- up to 20% immediately after 6 months from the date of grant - up to 60% immediately after 18 months from the date of grant - up to 100% immediately after 30 months from the date of grant	Expire at the close of business on 3 March 2015
Options granted to employees:					
- on 4 March 2005 ("Option 1")	1.60	11,970,000	11,970,000	- immediately 3 months after the date of grant	Expire at the close of business on 28 February 2015
		77,576,245	77,576,245		

Each option entitles the holder to subscribe for one ordinary share in the Company.

36 SHARE OPTIONS *(Continued)*

(a) *Share option scheme of the Company* *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**$1.73**	**77,576**	$1.65	83,456
Exercised during the year		**—**	* $0.575	(5,880)
Outstanding at the end of the year	**$1.73**	**77,576**	$1.73	77,576
Exercisable at the end of the year	**$1.72**	**52,294**	$1.67	27,011

* Adjusted for the effect of the bonus issue of shares on 23 September 2004.

No share option was exercised during the year. The weighted average share price at the date of exercise for share options exercised in the year ended 31 March 2006 was $2.20.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

(a) Share option scheme of the Company *(Continued)*

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the services received is measured based on the Black-Scholes pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes pricing model.

Fair value of share options and assumptions	
Fair value at measurement date	
- Option 1	$0.098
- Option 2	$0.139
Share price	
- Option 1	$1.60
- Option 2	$1.52
Exercise price	
- Option 1	$1.60
- Option 2	$1.76
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes pricing model)	
- Option 1	46.77%
- Option 2	45.63%
Option expected life (expressed as weighted average life used in the modelling under the Black-Scholes pricing model)	
- Option 1	0.33 years
- Option 2	0.6 - 2.6 years
Expected dividend yield	
- Option 1	—
- Option 2	1.39 - 2.35%
Risk-free interest rate (based on Exchange Fund Notes)	
- Option 1	1.789%
- Option 2	2.669 - 3.568%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividend yields are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

(b) Share option scheme of a subsidiary

CSC, a subsidiary of the Company, operates a share option scheme ("CSC Scheme") which was adopted on 21 September 2006 (the "Effective Date") whereby the directors of CSC are authorised, at their discretion, to offer any employee (including any director) of CSC options to subscribe for shares in CSC to recognise their contributions to the growth of CSC. Each option gives the holder the right to subscribe for one share of CSC. The Scheme is valid and effective for a period of ten years ending on 21 September 2016.

(i) The terms and conditions of the options granted under the CSC Scheme are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price	Number of options	Vesting conditions	Contractual life of options
Options granted to directors of the Company on 21 September 2006	$450	40,000	- up to 30% immediately from the Effective Date - up to 60% immediately after 12 months from the Effective Date - up to 100% immediately after 18 months from the Effective Date	Expire at the close of business on 27 August 2016
Options granted to employees on 21 September 2006	$450	60,000	- up to 30% immediately from the Effective Date - up to 60% immediately after 12 months from the Effective Date - up to 100% immediately after 18 months from the Effective Date	Expire at the close of business on 27 August 2016
		100,000		

36 SHARE OPTIONS *(Continued)*

(b) Share option scheme of a subsidiary (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2007	
	Weighted average exercise price	**Number of options '000**
Outstanding at the beginning of the year	—	—
Granted during the year	$ 450	100
Outstanding at the end of the year	$ 450	100
Exercisable at the end of the year	$ 450	30

No options were exercised, cancelled or lapsed during the year.

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes pricing model.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

(b) Share option scheme of a subsidiary (Continued)

(iii) Fair value of share options and assumptions *(Continued)*

Fair value at measurement date	$40.07
Share price	$450
Exercise price	$450
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes pricing model)	34.66% - 40.21%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes pricing model)	0.1 – 1.6 years
Expected dividend yield	—
Risk-free interest rate (based on Exchange Fund Notes)	1.83% – 2.19%

The expected volatility is based on the volatility of listed shares of comparable companies (calculated based on the weighted average remaining life of the share options). Changes in the subjective input assumptions could materially affect the fair value estimates.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

37 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Except for instalment receivables from the rendering of Cord Blood Bank services, trade receivables are due within 60 to 180 days from the date of billing. For instalments receivable, regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. Status of the receivables is closely monitored to minimise any credit risk associated with these receivables. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 43% (2006: 48%) and 93% (2006: 95%) of the trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for the financial guarantees disclosed in note 39, the Group does not provide any guarantee which would expose the Group to credit risk.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of surplus cash and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

37 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group	2007						2006					
	Effective interest rate %	Total $'000	1 year or less $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	1 year or less $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash at bank and on hand	1.23	474,076	474,076	—	—	—	2.01	476,855	476,855	—	—	—
Bank loans	5.20	(9,000)	(9,000)	—	—	—	4.39	(37,913)	(37,913)	—	—	—
		465,076	465,076	—	—	—		438,942	438,942	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Interest bearing trade receivables	3.16	12,420	597	605	2,617	8,601	3.16	6,508	295	304	1,317	4,592
Interest bearing other receivables	2.80	74,530	74,530	—	—	—	—	—	—	—	—	—
Deposits with banks	5.03	214,150	214,150	—	—	—	3.24	4,811	4,811	—	—	—
Bank loans	5.97	(101,122)	(101,122)	—	—	—	5.03	(96,674)	—	(96,674)	—	—
Convertible bonds	3.40	(98,836)	(98,836)	—	—	—	3.40	(112,277)	—	(112,277)	—	—
		101,142	89,319	605	2,617	8,601		(197,632)	5,106	(208,647)	1,317	4,592

37 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk (Continued)

The Company	2007						2006					
	Effective interest rate %	Total $'000	1 year or less $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	1 year or less $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash at bank and on hand	1.59	3,892	3,892	—	—	—	3.09	469	469	—	—	—
Bank loans	5.20	(9,000)	(9,000)	—	—	—	4.39	(37,913)	(37,913)	—	—	—
		(5,108)	(5,108)	—	—	—		(37,444)	(37,444)	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Deposits with banks	4.97	147,581	147,581	—	—	—	3.24	4,811	4,811	—	—	—
Convertible bonds	3.40	(98,836)	(98,836)	—	—	—	3.40	(112,277)	—	(112,277)	—	—
		48,745	48,745	—	—	—		(107,466)	4,811	(112,277)	—	—

(d) Foreign currency risk

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. The Group's transactions are in Chinese Renminbi Yuan, Hong Kong dollars ("HKD") and United States dollars ("USD"). With the natural hedging of the revenue and costs denominated in Chinese Renminbi Yuan, the Group's foreign exchange exposure was insignificant.

The Group is exposed to foreign currency risks through certain investments and bank deposits which are dominated in USD. As HKD is pegged to USD, the Company does not expect any significant movements in the USD/HKD exchange rate.

37 FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007 and 2006 except as follows:

(i) Amounts due from subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(ii) Unlisted equity securities of $132,764,000 (2006: $Nil) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction of transaction costs.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

38 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	$'000	$'000
Contracted for	**57,992**	233,026

(b) As at 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within 1 year	**6,937**	1,844	**5,399**	1,103
After 1 year but within 5 years	**11,562**	—	**10,081**	—
	18,499	1,844	**15,480**	1,103

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

Lease terms of properties of the Group situated on land held under operating leases are disclosed in note 15(a)(v).

39 CONTINGENT LIABILITIES

As at 31 March 2007, a subsidiary of the Company has issued guarantees to banks in respect of banking facilities granted to a jointly controlled entity which will expire within one year. Under the guarantees, the subsidiary is liable for the borrowings of the jointly controlled entity under such facilities from the banks which are the beneficiaries of the guarantees.

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the subsidiary under the guarantees. The maximum liability of the Group at the balance sheet date under the guarantees issued is the outstanding amount of the facility drawn down by the jointly controlled entity of $182,020,000 (2006: $Nil).

The Group has not recognised any deferred income in respect of the guarantees as their fair value is not material.

40 RETIREMENT SCHEMES

Hong Kong

Since December 2001, the Company and a Hong Kong subsidiary operate a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

PRC, other than Hong Kong

Pursuant to the relevant PRC regulations, the Company's PRC subsidiaries are required to make contributions at approximately 19% of the employees' salaries and wages to defined contribution retirement schemes organised by the local Social Security Bureau in respect of the retirement benefits for the Group's employees in the PRC.

Save as disclosed above, the Group has no other obligation to make payments in respect of retirement benefits of the employees.

41 MATERIAL RELATED PARTY TRANSACTIONS

Except for the financial guarantees granted for a jointly controlled entity as disclosed in note 39, there were no material transactions with related companies during the years ended 31 March 2007 and 2006.

Key management personnel remuneration represents amounts paid to the Company's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9.

42 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of subsidiary

On 8 May 2007, the Group completed the acquisition of a 90% equity interest in a PRC entity which has been granted the right to operate a cord blood bank in the PRC, at a total consideration, including direct expenses, of $31,297,000, satisfied in cash.

(b) Placing and subscription of shares by CSC

On 15 May 2007, CSC entered into several subscription agreements pursuant to which CSC issued a total of 166,980 new ordinary shares at USD137.74 per share, representing approximately 11.5% of CSC's issued share capital immediately before the placement or 10.3% of the enlarged issued share capital of CSC. Gross proceeds of USD23,000,000, equivalent to $179,400,000, will be used for business expansion and working capital. Upon completion, the Group's effective shareholding in CSC decreased from 56.5% to 52.0%.

43 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

44 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 17, 20, 36 and 37(f) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Impairment of assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years.

Goodwill is tested for impairment at least annually even if there is no indication of impairment.

(c) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 33(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in the consolidated income statement for the period in which such a reversal takes place.

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2007 and which have not been adopted in these financial statements.

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

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

Five-Year Financial Summary

A summary of the published financial information of the Group is set out below:

RESULTS

	Year ended 31 March 2003 HK$'000	Year ended 31 March 2004 HK$'000	Year ended 31 March 2005 HK$'000	Year ended 31 March 2006 HK$'000	**Year ended 31 March 2007 HK$'000**
Turnover	133,580	174,595	238,991	280,578	**341,074**
Profit from operations	76,543	93,225	130,758	97,405	**222,838**
Finance costs	—	(754)	(8,399)	(12,431)	**(10,817)**
Gain on deemed disposal of an associate	—	—	—	116,571	**—**
Gain on partial disposal of an associate	—	—	—	322,218	**—**
Share of profits less losses of associates	—	13,702	26,957	39,975	**1,497**
Share of profits of jointly controlled entities	—	—	—	—	**34,100**
Profit before taxation	76,543	106,173	149,316	563,738	**247,618**
Income tax	—	(2,232)	(10,658)	(2,466)	**(16,967)**
Profit for the year	76,543	103,941	138,658	561,272	**230,651**
Attributable to:					
Equity shareholders of the Company	76,543	104,431	138,263	563,824	**223,365**
Minority interests	—	(490)	395	(2,552)	**7,286**
Profit for the year	76,543	103,941	138,658	561,272	**230,651**

ASSETS AND LIABILITIES

	As at 31 March				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007 HK$'000**
Fixed assets	138,853	295,871	344,934	303,624	**273,131**
Intangible assets	—	56,802	521,010	523,845	**516,581**
Goodwill	698	70,869	74,450	74,450	**74,450**
Interests in associates	39,535	53,237	79,964	30,395	**33,345**
Interests in jointly controlled entities	—	—	—	—	**504,509**
Available-for-sale equity securities	—	—	—	635,304	**561,936**
Deferred tax assets	—	—	—	9,397	**8,652**
Other non-current assets	40,000	40,000	129,038	61,316	**77,007**
	219,086	516,779	1,149,396	1,638,331	**2,049,611**
Current assets	220,661	324,891	340,906	888,482	**994,427**
Total assets	439,747	841,670	1,490,302	2,526,813	**3,044,038**
Current liabilities	(50,682)	(87,880)	(175,696)	(197,789)	**(283,210)**
Total assets less current liabilities	389,065	753,790	1,314,606	2,329,024	**2,760,828**
Non-current liabilities	—	(2,001)	(308,122)	(223,977)	**(38,523)**
Net assets	389,065	751,789	1,006,484	2,105,047	**2,722,305**
Attributable to:					
Equity shareholders of the Company	389,065	707,492	956,141	2,055,998	**2,560,154**
Minority interests	—	44,297	50,343	49,049	**162,151**
Total equity	389,065	751,789	1,006,484	2,105,047	**2,722,305**

Notes:

1. The HKICPA has issued a number of new or revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Figures for 2005 and onwards have been adjusted for these new and revised HKFRSs. Figures for earlier years have only been restated to the extent that the new accounting standards are adopted retrospectively.

2. Certain of the comparative figures for 2006 and before have been re-classified to conform with the presentation as at 31 March 2007.

NOTICE IS HEREBY GIVEN that the annual general meeting of Golden Meditech Company Limited (the "Company") for the year 2007 will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 3 September 2007 at 10:00 a.m. for the following purposes:

1. to consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors (the "Directors") of the Company and of the auditors for the year ended 31 March 2007;

2. to declare a final dividend for the year ended 31 March 2007;

3. to re-elect retiring Directors;

4. to authorise the Directors to fix the Directors' remuneration;

5. to re-appoint the retiring auditors, KPMG, and to authorise the Directors to fix their remuneration;

6. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "THAT:

   (a) subject to paragraph (c) of this Resolution, the board of Directors (the "Board") be and is hereby granted an unconditional general mandate to exercise during the Relevant Period (as defined in paragraph (d) of this Resolution) all the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the Company (the "Shares") or securities convertible or exchangeable into Shares, and to make or grant offers, agreements, options, warrants or similar rights in respect thereof;

   (b) the mandate referred to in paragraph (a) shall authorise the Board during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to options or otherwise) by the Board pursuant to the mandate referred to in paragraph (a) above, otherwise than pursuant to:

      (i) a Rights Issue;

      (ii) the exercise of the subscription rights under options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to officers and/or employees and/or consultants and/or advisors of the Company and/or any of its affiliates of Shares or rights to subscribe for Shares;

      (iii) any scrip dividend or similar arrangement providing for the allotment and issue of Shares or other securities of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company; or

(iv) any issue of Shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into Shares shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval in paragraph (a) shall be limited accordingly;

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution up to:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest;

"Rights Issue" means an offer of Shares, or an offer of warrants, options or other securities of the Company giving rights to subscribe for Shares, open for a period fixed by the Board to holders of Shares on the register of members on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

7. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the Board of all the powers of the Company during the Relevant Period (as defined in paragraph (c) of this Resolution) to repurchase Shares be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be repurchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution up to:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest."

8. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT** conditional upon the passing of Resolutions Nos. 6 and 7 set out in this notice, of which this Resolution forms part, the aggregate nominal amount of share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Board pursuant to and in accordance with the mandate granted under Resolution No. 6 be and is hereby increased and extended by the addition thereto of the aggregate nominal amount of Shares repurchased by the Company pursuant to and in accordance with the mandate granted under Resolution No. 7, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution".

By Order of the Board
KONG Kam Yu
Company Secretary

Hong Kong, 29 June 2007

Notes:

1. The register of members of the Company will be closed from Thursday, 30 August 2007 to Monday, 3 September 2007, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending the annual general meeting convened by the above notice and for the proposed final dividend, all transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 29 August 2007.

2. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or, if he holds two or more Shares, more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

4. If two or more persons are joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.

5. A circular setting out further information regarding the resolutions to be proposed at the annual general meeting will be despatched to members of the Company together with the 2006/2007 Annual Report.

6. The translation into Chinese language of the above notice is for reference only. In case of any inconsistency, the English version shall prevail.

Glossary

Terms used	Brief description
General	
AGM	The annual general meeting of the Company to be held at 10:00 a.m. on Monday, 3 September 2007 at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong.
Associate	A company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.
Company	Golden Meditech Company Limited.
Director(s)	The director(s) of the Company.
GEM	The Growth Enterprise Market operated by the Stock Exchange.
GEM Listing Rules	The Rules Governing the Listing of Securities on the GEM.
Group	Golden Meditech Company Limited, together with its subsidiaries.
HK$	The Hong Kong dollar, the currency of Hong Kong.
HKICPA	The Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Law of Hong Kong).
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
New HKFRSs	The new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards.
PRC/China	The People's Republic of China, excluding Hong Kong and Macau.
RMB	Chinese Renminbi Yuan, the currency of China.
SFDA	China's State Food and Drug Administration.
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.
Share(s)	Ordinary share(s) of HK$0.10 each in the share capital of the Company.
Shareholder(s)	Holder(s) of Shares.
Stock Exchange	The Stock Exchange of Hong Kong Limited.
Subsidiary	A company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.
Jointly Control Entity	A company which operates under a contractual arrangement between the Group and other parties, where the contractual agreement establishes that the Group and one or more of the other party share joint control over the economic activity of the Company.

Medical Device Segment

Jingjing	Beijing Jingjing Medical Equipment Co., Ltd., a wholly-owned subsidiary of the Company. Its main operation is the research and development, production and sales of medical devices in the PRC.
Autologous Blood Recovery System	A hi-tech medical device that collects, filtrates, separates, cleanses, and re-infuses a patient's own blood lost during an accident or operation, replacing traditional homogenous blood transfusion. Its main components are the machine and the disposable chamber.
ABRS machine	The machine of the Autologous Blood Recovery System, including the models for hospital and outdoor use.
Disposable Chamber	The disposable blood processing chamber and related accessories. These are used once per operation for blood processing and recycling, and cannot be reused.

Cord Blood Bank Segment

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

Chinese Herbal Medicine Segment

Qijieyuan	Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd., an indirectly owned subsidiary of the Company. Its main operation is the research and development of proprietary Chinese herbal medicines in the PRC.
Baisuihang	Shanghai Baisuihang Pharmaceutical Co., Ltd., an indirectly owned subsidiary of the Company. Its main operation is the production and sales of proprietary Chinese herbal medicines in the PRC.
TangHerb®	First proprietary Chinese herbal medicine approved by the SFDA of the PRC to alleviate AIDS symptoms, also named Tang Cao Pian®.
CD4 cell	Also called a T-cell, a key immune cell of the immune system.
CTC	Clinical Trials Centre, Faculty of Medicine, the University of Hong Kong.

Corporate Information

Executive Directors

Mr. KAM Yuen *(Chairman)*
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-executive Directors

Prof. CAO Gang
Mr. GAO Zong Ze
Prof. GU Qiao

Registered Office

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

Head Office and Principal Place of Business in the PRC

Room 11, 7/F
Tower E1, Beijing Oriental Plaza
No. 1 East Chang An Ave.
Dong Cheng District
Beijing, 100738 China

Principal Place of Business in Hong Kong

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

Stock Code

8180

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

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

Remuneration Committee Members

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

Authorised Representatives

Mr. KAM Yuen
Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law
Jones Day

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

Appleby Corporate Services (Cayman) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

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

Public Relations Consultant

A-World Consulting Limited

Investor Relations Officer

Ms. Viki Li, Corporate Affairs Manager
Email: ir@goldenmeditech.com

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