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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Golden Meditech Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE TRANSACTION

**Disposal of the Group's entire investment in
Qi Jie Yuan Medicine Holding (HK) Limited
in exchange for**

**(A) 40% issued share capital of China Healthcare Inc.
and**

(B) a 5-year unsecured note

Financial Adviser to the Company



REXCAPITAL (Hong Kong) Limited

A letter from the Board is set out on page 4 to 14 of this circular.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.goldenmeditech.com.

4 January 2008

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 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.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition by GMH of the Consideration Shares and the Note, subject to and upon the terms and conditions of the SPA
“Associate(s)”	shall have the same meaning as defined in the GEM Listing Rules
“Board”	the Board of Directors
“BVI”	the British Virgin Islands
“Company”	Golden Meditech Company Limited, an exempted company incorporated in the Cayman Islands whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“Completion”	completion of the SPA
“Consideration”	the total consideration of GBP36,000,000 payable by the Purchaser (as to the Note) and REG (as to the Consideration Shares) to the Vendor for the Disposal pursuant to the SPA
“Consideration Shares”	4,000,000 ordinary shares of US\$0.0001 each in the share capital of the Purchaser to be transferred by REG to the Vendor, being part of the Consideration payable to the Vendor pursuant to the SPA, representing 40% of the existing issued share capital of the Purchaser
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by GMH, subject to and upon the terms and conditions of the SPA
“Disposal Group”	QJY and its subsidiaries
“GBP”	Great Britain Pounds, the lawful currency of the United Kingdom
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“GMH” or “Vendor”	Golden Meditech Herbal Treatment (BVI) Company Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company

DEFINITIONS

“GMP”	Good Manufacturing Practice, being the guidelines and regulations issued pursuant to the PRC laws by SFDA in respect of certain quality standards to be adopted in the pharmaceutical industry in the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party and, if applicable, the ultimate beneficial owner of the party who is independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company
“Latest Practicable Date”	31 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Note”	a 5-year unsecured note with 2% interest per annum in the principal amount of GBP24,000,000 to be issued by the Purchaser
“PRC”	The People’s Republic of China, excluding for the purpose of this circular Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	China Healthcare Inc., a company incorporated in the Cayman Islands, whose principal activity is investment holding and which is a wholly-owned subsidiary of REG
“QJY”	Qi Jie Yuan Medicine Holding (HK) Limited, a limited liability company incorporated in the BVI on 27 February 2004
“REG”	Right East Group Limited, a company incorporated in the BVI and the sole shareholder of the Purchaser
“Sale Shares”	the 69 ordinary shares of US\$1 par value each in the issued share capital of QJY beneficially held by the Vendor, representing 69% of the issued share capital of QJY
“SFDA”	the State Food and Drug Administration of the PRC (國家食品藥品監督管理局), the institution directly under the State Council of the PRC (中國國務院), which is responsible for overseeing the safety management of, foods, healthcare products and cosmetics and is in charge of the drugs administration

DEFINITIONS

“Share Option Schemes”	the respective share option schemes of the Company and China Stem Cells Holdings Limited, a subsidiary of the Company
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.10 each in the share capital of the Company
“SPA”	the conditional sale and purchase agreement dated 19 December 2007 entered into among the Vendor, REG and the Purchaser in relation to the Transactions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the SPA, which constitutes, among others, the Disposal and Acquisition
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular, conversion of GBP into HK\$ is based on the exchange rate of GBP1.00 to HK\$16.1 and conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 to HK\$7.79. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



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)

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

4 January 2008

DISCLOSEABLE TRANSACTION

**Disposal of the Group's entire investment in
Qi Jie Yuan Medicine Holding (HK) Limited
in exchange for**

(A) 40% issued share capital of China Healthcare Inc.

and

(B) a 5-year unsecured note

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

On 19 December 2007, the Board announced that GMH (a wholly owned subsidiary of the Company), REG and the Purchaser entered into the SPA for the sale and purchase of the Sale Shares, which represent 69% of the issued share capital of QJY, for a total consideration of GBP36,000,000 (or approximately HK\$579,600,000).

The purpose of this circular is to provide you with information in relation to the Transactions.

LETTER FROM THE BOARD

THE SPA

Date 19 December 2007

Parties

Vendor : Golden Meditech Herbal Treatment (BVI) Company Limited, a wholly-owned subsidiary of the Company

Purchaser : China Heathcare Inc, a wholly-owned subsidiary of Right East Group Limited

REG : Right East Group Limited, a company incorporated in BVI and the sole shareholder of the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, REG and their respective directors and shareholders are (i) Independent Third Parties and do not hold any position with the Company or its connected persons (as defined in the GEM Listing Rules), (ii) have no previous transactions with the Group which requires aggregation under Rule 19.22 of the GEM Listing Rules and (iii) have no relationship with the Group or its connected persons other than the contractual relationship arising from entering into the SPA, the Shareholders' Agreement, the Note, and the commercial relationship as disclosed in this circular.

Assets to be disposed

The Sale Shares, which represent 69% of the issued share capital of QJY.

QJY is an investment holding company and its assets include the holding of the entire equity interest in Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd, which in turn holds an 80% equity interest in Shanghai Baisuihang Pharmaceutical Co., Ltd. Further information is set out in the paragraph headed "Information on the Disposal Group" below.

Consideration for the Disposal

The total consideration for the Disposal is GBP36,000,000 (or approximately HK\$579,600,000), which is to be settled as follows:

- (i) as to GBP24,000,000 (or approximately HK\$386,400,000) by issuance of the Note, being a 5-year unsecured note with 2% interest per annum in the principal amount of GBP24,000,000 to be issued by the Purchaser; and

LETTER FROM THE BOARD

- (ii) as to the balance of GBP12,000,000 (or approximately HK\$193,200,000) by the transfer of 4,000,000 shares of the Purchaser as Consideration Shares by REG to the Vendor. The Consideration Shares represent 40% of the existing issued share capital of the Purchaser, currently owned by REG. Except for additional rights granted to the Vendor as specified in the Shareholders' Agreement, the Consideration Shares shall rank pari passu in all respects with the existing shares of the Purchaser in issue on the date of transfer of the Consideration Shares.

Basis of consideration for the Disposal and value of the Consideration Shares

The Consideration has been agreed between the Vendor and the Purchaser based on arms' length negotiations with reference to, among other factors, the carrying value of the Group's 69% equity interest in the Disposal Group on the consolidated accounts of the Group as at 30 September 2007 of approximately HK\$585,300,000.

The value of the Consideration Shares has also been agreed between the Vendor and the Purchaser based on arms' length negotiations with reference to, among other factors:

- (i) the unaudited consolidated profit after tax (as prepared under the generally accepted accounting principles in the United Kingdom) of the Purchaser for the two financial years ended 31 March 2006 and 2007 of approximately GBP0.5 million (or approximately HK\$8.1 million) and GBP1.4 million (or approximately HK\$22.5 million) respectively;
- (ii) the robust growth rate of 180% observed in the net profit after tax of the Purchaser from GBP0.5 million for the financial year ended 31 March 2006 to GBP1.4 million for the financial year ended 31 March 2007 and the compound annual growth rate will be 110% if the guaranteed net profit after tax for the financial year ending 31 March 2008 of GBP2.2 million (as set out in the subsection headed "Profit Guarantee" below) is achieved;
- (iii) the future potential of the principal business of the Purchaser in the United Kingdom. The Purchaser is one of the largest medical healthcare chains in the United Kingdom and Ireland and currently has just over 90 retail stores in the United Kingdom and Ireland which is considered to be far from enough to capture the business potential of herbal medicine products in the United Kingdom and Ireland. The Purchaser is exploring the opportunities of expanding into European markets although there is no concrete plan in place to expand the business into the European markets at this moment;
- (iv) the guaranteed net profit after tax of GBP2.2 million (or approximately HK\$35.4 million) of the results of the Purchaser for the financial year ending 31 March 2008 by REG, which implies a price-to-earnings ratio of 13.6 times considering the value of Consideration Shares of GBP12,000,000 (or approximately HK\$193,200,000);

LETTER FROM THE BOARD

- (v) the price-to-earnings ratio of 23.8 times of an acquisition transaction in relation to a well-known pharmacist chain in the United Kingdom; and
- (vi) the average price-to-earnings ratios of over 20 times of listed companies engaging in retail chain operations in the United Kingdom.

On the above bases, the Board (including the independent non-executive Directors) considers that the Consideration and the value of Consideration Shares are fair and reasonable.

Conditions for the Disposal/Acquisition

Completion shall be conditional upon, among other things, the fulfilment or, as the case may be, waiver of the following conditions:

- (i) the carrying out of inspection and investigation by and to the satisfaction of the Purchaser of all material respects in relation to the assets, financial, corporation, taxation and trading position of QJY;
- (ii) the carrying out of inspection and investigation by and to the satisfaction of the Vendor of all material respects in relation to the assets, financial, corporation, taxation and trading position of the Purchaser;
- (iii) none of the warranties, undertakings and covenants on the part of the Vendor, the Purchaser and REG as contained in the SPA is misleading or untrue in any material respect, or having been breached in any material respect; and
- (iv) the obtaining by each of the Company, the Vendor, REG and the Purchaser of all necessary consents, authorisations or other approvals of any kind in connection with their entering into and performance of the terms of the SPA which may be required under the GEM Listing Rules or any ordinances in Hong Kong and the United Kingdom, from the Stock Exchange or any governmental or regulatory authorities in Hong Kong and the United Kingdom.

If conditions (i) and (ii) for the Disposal/Acquisition have not been fulfilled or waived by the Vendor or the Purchaser (as relevant) by 31 December 2007, condition (iii) for the Disposal/Acquisition has not been fulfilled or waived by the Vendor or the Purchaser (as relevant) at Completion or condition (iv) for the Disposal/Acquisition has not been fulfilled within 3 months from the date of the SPA, the provisions of the SPA (other than certain clauses as specified in the SPA) shall from such date have no effect and no party to the SPA shall have any claim against the others save for claim (if any) in respect of such continuing provisions or any antecedent breach of the SPA.

Conditions (i) and (ii) for the Disposal/Acquisition had been fulfilled by the Vendor and the Purchaser as of the Latest Practicable Date.

LETTER FROM THE BOARD

THE SHAREHOLDERS' AGREEMENT

It is provided in the SPA that on Completion thereof, GMH, REG and the Purchaser will enter into the Shareholders' Agreement. Certain material terms of the Shareholders' Agreement are set out below:

Board seat

GMH shall have the right to appoint one person as director of the Purchaser and any of its subsidiaries as it may specify from time to time and to remove from office any such person so appointed and to appoint another in his place.

Transferability

REG shall not, without the prior written consent of GMH, create or permit to subsist any encumbrance whatsoever on or over or in respect of all or any of the shares of the Purchaser ("Purchaser Shares") held by it, and shall not otherwise dispose of any of its Purchaser Shares or otherwise purport to deal with the beneficial or economic interest therein (including but not limited to its voting rights) or any right relating thereto.

In the event that REG wishes to sell its Purchaser Shares, GMH shall have the first right of refusal to purchase such Purchaser Shares and in the event that REG is proposing to sell its Purchaser Shares to a third party, it shall notice GMH of the identity of the third party and the detailed terms of the sales and shall procure that either:

- (i) the same terms are extended by the third party to GMH; or
- (ii) REG offers to purchase all GMH's shares at the same price per Purchaser Shares as that offered by the third party.

Non-competition undertakings

REG undertakes to the Purchaser and GMH that it shall not (and shall procure its Associates not to) at any time whilst it is beneficially interested in any Purchaser Shares (whether directly or indirectly) and for a period of one (1) year from the date on which such party ceases to be beneficially interested in the Purchaser Shares, do or permit any of the following without the prior written consent of the Purchaser and GMH:

- (i) either solely or jointly with or on behalf of any person directly or indirectly carry on or be engaged or interested (except as the holder for investment of securities dealt in on a recognised stock exchange) in any business competing with the Purchaser;

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- (ii) solicit any person who is or has been a customer of the Purchaser and any of its subsidiaries for the purpose of offering to such customer goods or services similar to or competing with those of the Purchaser, or canvass or solicit any person who is or has been a supplier of the Purchaser and any of its subsidiaries for the purpose of inducing any such person to cease being supplier of the Purchaser and any of its subsidiaries;
- (iii) solicit or entice away or endeavour to solicit or entice away any director or employee of the Purchaser and any of its subsidiaries, but without prejudice to the right of such shareholder to terminate arrangements under which any of its staff are seconded to or appointed as directors of the Purchaser and any of its subsidiaries;
- (iv) cause or permit any of its Associate or person directly or indirectly under its control to do any of the foregoing acts or things;
- (v) divulge to any third party whatsoever (save to the extent required by law or any regulatory requirement) or use, take away, conceal, destroy or retain for his own or another's advantage or to the detriment of the Purchaser and any of its subsidiaries any of the trade secrets, accounts, financial or trading information or other confidential information which he may receive or obtain in relation to the businesses, finances, dealings or affairs of the Purchaser and any of its subsidiaries including any information regarding the products, processes or the customers, suppliers or agents of the Purchaser and any of its subsidiaries and including any papers or records howsoever recorded (whether in writing or print or by photographic, electrical, magnetic, symbolic or other means); and
- (vi) say or do anything which is or is intended or likely to be harmful to the reputation or goodwill of the Purchaser and any of its subsidiaries.

Dividend and distribution policy

Any dividend and distribution policy needs to be agreed in writing by REG and GMH.

Profit guarantee

REG unconditionally and irrevocably guarantees to GMH that the net profit after tax of the Purchaser for the financial year ending 31 March 2008 shall not be less than GBP2,200,000 (equivalent to approximately HK\$35.4 million). If the net profit after tax of the Purchaser for the financial year ending at 31 March 2008 falls short of GBP2,200,000, the Purchaser shall pay to the Vendor within 30 Business Days after the relevant audited accounts of the Purchaser has been issued a compensation amount (X) which shall be calculated using the following formula:

$$X = (\text{GBP2,200,000} - \text{net profit for the financial year ending 31 March 2008}) \times 40\% \times 13.6$$

13.6 being the price-to-earnings ratio derived by reference to the value of Consideration Shares of GBP12,000,000 and the guaranteed net profit after tax of GBP2,200,000.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE NOTE

Issuer

China Healthcare Inc.

Principal amount of the Note

GBP24,000,000

Interest

Interest is to accrue on the principal amount of the Note outstanding at the rate of 2% per annum from the date of issue of the Note to the maturity date or, as the case may be, at the redemption date. Interest is payable annually in arrears on each anniversary date of the date of issue of the Note or (as the case may be) on the redemption date (as defined in the Note).

Maturity date

Subject to the provision of the Note, the Purchaser shall repay the outstanding principal amount of the Note together with all interest accrued but not paid thereon on the date falling 5 years after the issue date of the Note.

Redeemability

Subject to the occurrence of certain events, including inter alia, a default in the payment of any amount due in respect of the Note, the Purchaser is in the status of being wound up or dissolved voluntarily or by the order of a court, certain proceedings against the Purchaser which shall not have been discharged within a period of 60 days, the holder of the Note is entitled to redeem all or any part of the outstanding principal amount of the Note by giving a written notice, whereupon such Note shall become immediately due and payable on the redemption date as described in the notice at the outstanding principal amount of the Note to be redeemed and interest accrued but not paid thereon.

Transferability

The Note is freely assignable or transferable to any party according to the terms of the Note.

INFORMATION OF THE DISPOSAL GROUP

QJY is held as to 69% by GMH and as to 31% by three individuals and a company. The three individuals and the company are Independent Third Parties from the Purchaser, the Company and connected persons (as defined in the GEM Listing Rules) of the Company. QJY is an investment holding company and its assets include the holding of the entire equity interest in Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd, which in turn holds an 80% equity interest in

LETTER FROM THE BOARD

Shanghai Baisuihang Pharmaceutical Co., Ltd (of which 20% equity interest is held by Beijing Jingjing Medical Equipment Co., Ltd., an indirect wholly owned subsidiary of the Company). The principal businesses of the Disposal Group are the research and development, manufacture and sales of Chinese herbal medicines in the PRC and overseas market. The Disposal Group operates in Shanghai, and its GMP production facilities are certified by the Shanghai Municipal Drug Administration Authority. The Disposal Group has obtained approval to manufacture hard gelatin capsules, tinctures, pharmaceutical raw materials and health food products. Besides, the Disposal Group has strong research and development division, and one of the products developed by the Disposal Group, known as TangHerb, is the first SFDA approved sole proprietary herbal medicine in improving the immune systems of HIV carriers and AIDS patients as well as inhibiting and delaying HIV virus replication.

The financial information of the Disposal Group, which is prepared in accordance with Hong Kong Financial Reporting Standards, is set out below:

- (i) as at 30 September 2007, the unaudited net assets value of the Disposal Group was approximately HK\$425.3 million;
- (ii) for the two financial years ended 31 March 2006 and 2007, the unaudited net loss before tax of the Disposal Group amounted to approximately HK\$24.3 million and approximately HK\$33.0 million respectively; and
- (iii) for the two financial years ended 31 March 2006 and 2007, the unaudited net loss after tax of the Disposal Group amounted to approximately HK\$14.9 million and approximately HK\$34.1 million respectively.

INFORMATION OF THE PURCHASER

The Purchaser is a private company limited by shares incorporated in the Cayman Islands on 3 January 2006.

The Purchaser is principally engaged in the provision of alternative treatments such as Chinese herbal therapy, acupuncture, moxibustion, cupping therapy, acupressure, allergy testing and conduct of Chinese herbal medicine products retail business in the United Kingdom and Ireland. The Purchaser operates one of the largest medical healthcare chains in the United Kingdom and Ireland and currently has more than 90 retail stores in these countries to serve the general public.

The financial information of the Purchaser, which is prepared in accordance with the generally accepted accounting principles in the United Kingdom, is set out below:

- (i) as at 31 March 2007, the unaudited net assets value of the Purchaser was approximately GBP2.3 million (equivalent to approximately HK\$37.0 million);

LETTER FROM THE BOARD

- (ii) for the two financial years ended 31 March 2006 and 2007, the unaudited net profit before tax of the Purchaser amounted to approximately GBP0.8 million (equivalent to approximately HK\$12.9 million) and approximately GBP2.0 million (equivalent to approximately HK\$32.2 million) respectively; and
- (iii) for the two financial years ended 31 March 2006 and 2007, the unaudited net profit after tax of the Purchaser amounted to approximately GBP0.5 million (equivalent to approximately HK\$8.1 million) and approximately GBP1.4 million (equivalent to approximately HK\$22.5 million) respectively.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Immediately after the Completion, the Disposal Group will cease to be a subsidiary of the Company.

Upon Completion, the Purchaser will become an associate company of the Company and its results will be equity accounted for in the financial statements of the Company, which means that 40% of the profit after tax of the Purchaser will be reported in the profit and loss accounted within the item named “Shares of profits of associates” and 40% of the net asset value of the Purchaser will be reported in the balance sheet of the Company within the item named “Interests in associates”.

As the Consideration is determined based on the net assets value of the Disposal Group, the Company is not expected to derive any material gain or loss from the Disposal.

Based on the unaudited accounts of the Group as at 30 September 2007, it is estimated that the Transactions will lead to a decrease of approximately HK\$10.3 million in the consolidated total assets of the Group and a decrease of approximately HK\$4.6 million in the consolidated total liabilities of the Group.

Given that the Disposal Group incurred losses for the two financial years ended 31 March 2006 and 2007 and the six months period ended 30 September 2007 while the Purchaser generated profits for the corresponding period, it is expected that the Transactions will therefore increase the Group’s net profit after tax.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding.

The Group is a leading hi-tech integrated healthcare corporation in China and 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.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTIONS

The Transactions are actually an asset swap which is being effected by exchanging the Group's 69% equity interest in the Disposal Group for a 40% equity interest in the Purchaser. The Directors are of the view that the Transactions could create huge synergies to the Group, the Disposal Group and the Purchaser in that:

- (i) the Purchaser will be able to gain access to GMP production facilities in the PRC, which is a vertical integration of the Purchaser's business and operations. The Purchaser presently relies on external third parties suppliers for the uninterrupted supply of herbal products. The acquisition facilitates the Purchaser to strengthen its control on the supply chain;
- (ii) the Disposal Group could also gain access to the United Kingdom and Ireland markets and, following potential expansion in other European markets by the Purchaser in the future, in other European markets as well. The Purchaser's networks will open up new markets for the Disposal Group, providing a steady customer base for the Disposal Group's herbal products; and
- (iii) the Group will also benefit from:
 - (a) the strong financial performance of the Purchaser, its great future growth potential and further improvement in its results deriving from the synergy effects as set out above;
 - (b) the significant market potential of Chinese herbal medicine in the United Kingdom and Europe, which provide an excellent and effective diversification opportunity and thus reduce the Group's reliance in the PRC market; and
 - (c) the possible improvement in the results of the Disposal Group after the Completion as the Group still indirectly hold an attributable interests in the Disposal Group through its equity interest in the Purchaser.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Transactions are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are further of the view that the terms of the SPA, the Shareholders' Agreement and the Note which are on normal commercial terms and negotiated on an arms' length basis, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATION UNDER THE GEM LISTING RULES

As the applicable percentage ratios under the GEM Listing Rules of the Disposal and Acquisition respectively are more than 5% but less than 25% and thus both the Disposal and Acquisition are discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the controlling Shareholder, the Directors and the chief executives of the Company and their respective associates has any material interest in the Transactions as at the date of this circular.

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Golden Meditech Company Limited
Kam Yuen
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (ii) there are no other matters the omission of which would make any statement in this circular misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(i) Directors' and Chief Executives' interests and short positions in the shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) *The Company*

Name of Directors	Capacity and nature of interests	Long position/(Short position) Number of ordinary shares of HK\$0.1 each			Total interests	Approximate percentage of the Company's issued share capital
		Corporate interests	Number of underlying shares held under equity derivatives			
Mr. Kam Yuen	Interest of controlled corporation	433,916,000 ⁽¹⁾	—	433,916,000	27.51%	
		(61,832,000) ⁽²⁾	—	(61,832,000)	(3.92%)	
	Beneficial owner	—	63,206,245 ⁽³⁾	63,206,245	4.01%	
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 the Latest Practicable Date.

- (2) Mr. Kam Yuen was deemed under the SFO to have a short position in the shares of the Company by virtue of his interest in Bio Garden.
- (3) These interests represent the Directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the Directors as beneficial owners, details of which are set out in the section headed "Share Option Schemes" below.

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

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

Note:

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

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

(ii) Share Option Schemes

(a) Share option schemes of the Company

1. Principal terms of the share option schemes of the Company are set out in note 36 to the financial statements as included in the annual report of the Company for the year ended 31 March 2007.
2. As at the Latest Practicable Date, options to subscribe for 77,576,245 shares of the Company under the share option schemes of the Company were outstanding, the details of which are as follows:

Name of Directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at the Latest Practicable Date	Exercise price HK\$
Mr. Kam Yuen	30 March 2005 ⁽¹⁾	63,206,245	1.76
Mr. Lu Tian Long	4 March 2005 ⁽²⁾	400,000	1.60
Ms. Zheng Ting	4 March 2005 ⁽²⁾	2,000,000	1.60
Full-time employees (other than Directors)	4 March 2005 ⁽²⁾	11,970,000	1.60
		<u>77,576,245</u>	

Notes:

- (1) The share options are exercisable as to:
 - (i) up to 20% immediately after 6 months from the date of grant;
 - (ii) up to 60% immediately after 18 months from the date of grant;
 - (iii) up to 100% immediately after 30 months from the date of grant; and
 - (iv) the share options will expire at the close of business on 3 March 2015.
- (2) The share options are exercisable in full immediately after 3 months from the date of grant and will expire at the close of business on 28 February 2015.

- (3) No share options granted under the share option schemes adopted by the Company on 30 July 2002 and 30 March 2005 respectively were exercised, cancelled or lapsed as at the Latest Practicable Date.

(b) *Share option scheme of CSC*

1. The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme (the "CSC Scheme") by CSC. The CSC Scheme became effective on 21 September 2006 (the "Effective Date").
2. As at the Latest Practicable Date, options to subscribe for 100,000 shares of CSC under the CSC Scheme were outstanding, the details of which are as follows:

Name of Directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at the Latest Practicable Date	Exercise price HK\$
Mr. Kam Yuen	21 September 2006 ⁽¹⁾	10,000	450
Ms. Zheng Ting	21 September 2006 ⁽¹⁾	30,000	450
Full-time employees (other than Directors)	21 September 2006 ⁽¹⁾	60,000	450
		<u>100,000</u>	

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 as at the Latest Practicable Date.

(iii) Directors' Right to Acquire Shares or Debentures

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

3. SUBSTANTIAL SHAREHOLDERS

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

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

Name	Capacity and nature of interests	Number of issued shares	Approximate percentage of the Company's issued share capital⁽⁴⁾
Bio Garden ⁽¹⁾	Beneficial owner	433,916,000 (61,832,000)	27.51% (3.92%)
Mr. Kent C. McCarthy ⁽²⁾	Interest of controlled corporation	304,511,605	19.31%
Jayhawk China Fund (Cayman), Ltd. ⁽²⁾	Investment manager	202,713,735	12.85%

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

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

Notes:

- (1) Bio Garden is an investment holding company incorporated in the BVI. Mr. Kam Yuen was the sole beneficial shareholder of the entire issued share capital of Bio Garden as at the Latest Practicable Date.
- (2) The interests disclosed by Mr. Kent C. McCarthy include 202,713,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.
- (3) "P" denotes lending pool.
- (4) The percentage of interests is based on the aggregate nominal value of the shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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.

4. DIRECTORS' SERVICE CONTRACTS

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

Each of Mr. Gao Zong Ze and Prof. Gu Qiao has 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.

Save as disclosed, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, management, shareholders or their respective associates had any interest in any business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. MISCELLANEOUS

- (i) The head office and principal place of business of the Company in the PRC is at Room 11, 7/F, Tower E1, Beijing Oriental Plaza, No. 1 East Chang An Ave., Dong Cheng District, Beijing, 100738 China. The principal place of business of the Company in Hong Kong is at 48th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The registered office of the Company is at Appleby Corporate Services (Cayman) Limited, P.O. Box 1350 GT, Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (ii) The compliance officer of the Company is Mr. Kam Yuen.
- (iii) The company secretary and the qualified accountant of the Company is Mr. Kong Kam Yu. He is a member of the HKICPA and ICAEW.
- (iv) The Company established an audit committee with written terms of reference which deal with its authority and duties on 15 December 2001. The committee's primary duties are to review the Company's annual report, interim report and quarterly reports, the Group's financial control, internal control and risk management systems and to provide advice and comments thereon to the Board of Directors. The committee comprises three independent non-executive Directors, namely, Prof. Cao Gang (chairman of the audit committee), Mr. Gao Zong Ze and Prof. Gu Qiao.

Prof. Cao Gang, aged 62, 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. The residential address of Prof. Cao is A2-140, 11 Fucheng Road, Beijing, China.

Mr. Gao Zong Ze, aged 67, is a qualified lawyer in the PRC and is also a National Committee member of China's Chinese People's Political Consultative Conference. Mr. Gao graduated from the Graduate School of China Academy of Social Sciences, the PRC, in 1981. The business address of Mr. Gao is 31st Floor, Tower A, Jianwai SOHO, 39 Dongsanhuan Zhonglu, Chaoyang District, Beijing, China.

Prof. Gu Qiao, aged 60, is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC. 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. The residential address of Prof. Gu is Laemmchesbergstr 23, 677663, Kaiserslautern, Germany.

- (v) In case of inconsistency, the English text of this circular shall prevail over its Chinese text.