GOLDEN MEDITECH COMPANY LIMITED
金衛醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8180.HK)

ANNUAL REPORT

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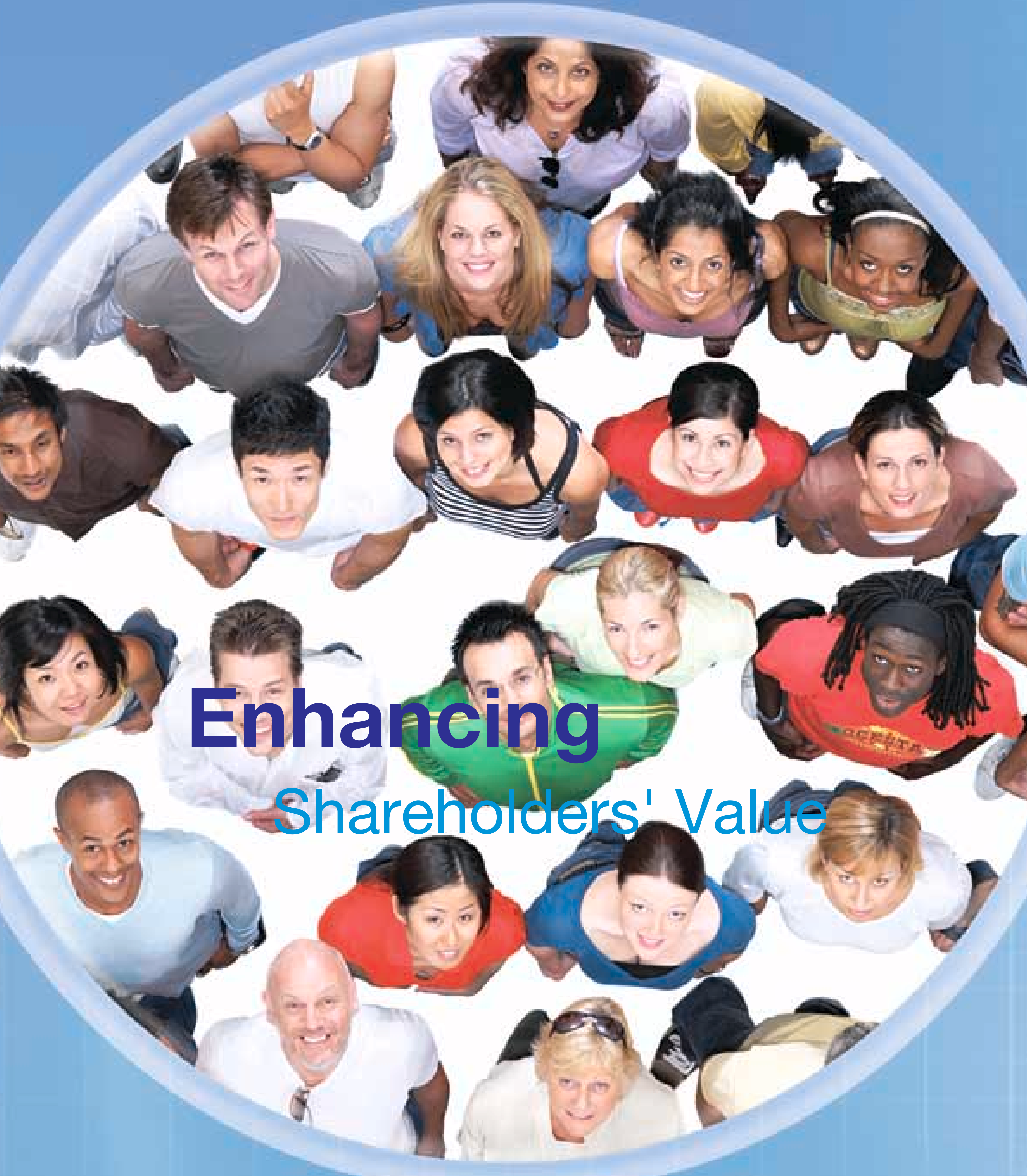


Enhancing
Shareholders' Value

Contents

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.

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

The Medical Device Segment is primarily engaged in the research and development, manufacture, sales of blood-related medical apparatuses and personal health monitoring devices. The segment's major products include the Autologous Blood Recovery System, the first of its kind to obtain the approval of State Food and Drug Administration ("SFDA") for manufacture in China, and the new products, Model 3000H Plasma Exchange System and the Model HS-9000 Accelerated Thermostatic Infusion Pump, which will soon be launched to the market. The segment has been engaged in the continuous development of pioneering technologies for blood recovery, purification, treatment and preservation and advanced medical equipment in collaboration with a number of research institutes.

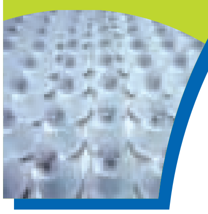
The Healthcare Service Segment includes cord blood banking operation which provides examination, separation, processing, and storage services for blood stem cells extracted from the umbilical cord blood of newborn babies. The Company is the first and currently the largest private cord blood bank operator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

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

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

Medical Devices

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



Healthcare Services

- Cord blood stem cell banking
- Matching services for blood stem cell transplants
- Hospital management services

GOLDEN MEDITECH

Stock Code: 8180.HK

Strategic Investments

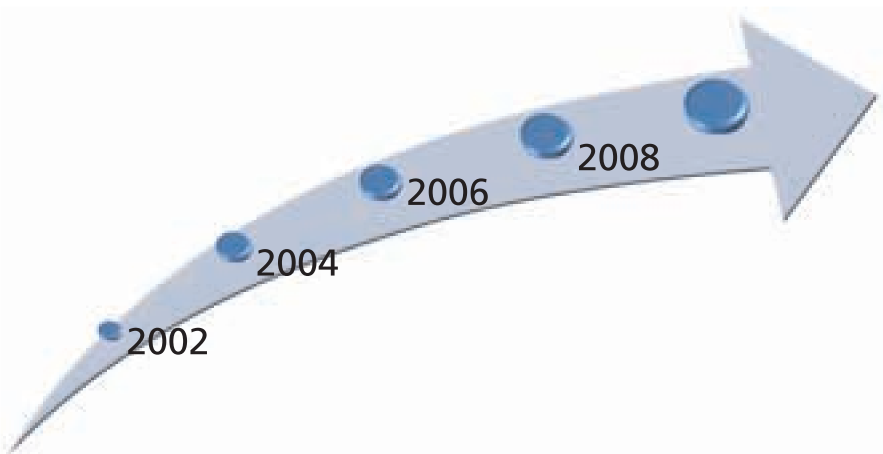
- Focus on medical and healthcare industries
- Mergers and acquisitions which have synergy with existing operations
- Strategically related

Natural Herbal Medicines

- Natural herbal medicine development and manufacturing
- Natural herbal remedy and healthcare retail chains in Europe
- Research and development

Golden Meditech's Corporate History and Milestones:

2000	•	Golden Meditech was established
2001	•	Golden Meditech was listed on Hong Kong's Growth Enterprise Market (Stock code: 8180.HK)
2002	•	Commencement of operation of Jingjing Industrial Park after two years of construction
2003	•	Investment in China Medical Technologies Inc. (Stock code: "CMED")
	•	Diversified into cord blood stem cell storage services by acquiring cord blood bank operation in Beijing
2004	•	Diversified into natural herbal medicine operation
2005	•	CMED was listed on NASDAQ
	•	Natural herbal medicine manufacturing facilities in Shanghai obtained GMP certification
2006	•	Successful private placement of the Cord Blood Bank segment with a pre-monies valuation at US$100 million
2007	•	Successful second private placement of the Cord Blood Bank segment with a pre-monies valuation increased to US$200 million
	•	Acquired the cord blood bank operation in Guangdong Province and commenced operation
2008	•	Proposed acquisition of hospital management business



Corporate Awards

In recognition of the outstanding performance of the blood stem cells storage service, Golden Meditech was, once again, honoured by Deloitte Touche Tohmatsu as one of the 50 fastest growing hi-tech companies in China in October 2007, and as one of the 500 fastest growing hi-tech companies in the Asia Pacific region in December 2007.

To acknowledge the Group's sound business operations and promising growth, respected Hong Kong financial magazine, the *Economic Digest*, selected Golden Meditech again as one of the "Outstanding Enterprises in Hong Kong" in December 2007.

Due to the Group's impressive performance in operational management and quality control, Golden Meditech was awarded the prestigious "10th International Convention Century Quality ERA Award (CQE)" held in Geneva in March 2008.

		2008 HK$'000	2007 HK$'000	% Change
Operating results	Turnover	421,147	331,134	27%
	Gross profit	299,111	234,513	28%
	Profit attributable to equity shareholders of the Company	683,744	223,365	206%
	Gross profit margin	71%	71%	No change
	Net profit margin	169%	70%	99% pts
	Basic earnings per share (from continuing operations)	HK37.7 cents	HK17.0 cents	122%
Financial position	Total assets	4,190,077	3,044,038	38%
	Cash and bank balances	997,747	688,226	45%
	Total equity	3,552,964	2,722,305	31%
Financial ratios	Gearing ratio (total interest-bearing liabilities over total equity)	9.9%	7.7%	2.2% pts
	Current ratio	7.1	3.5	103%

Note:

Figures for 2007 have been re-classified as a result of the discontinued operation to conform with the presentation for 2008.

Chairman's Statement

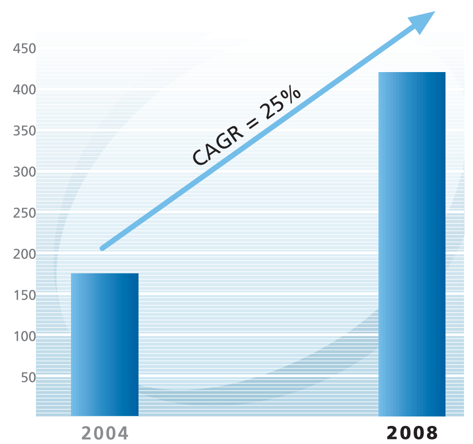
Dear shareholders:

The financial year 2008 is a remarkable year for Golden Meditech Company Limited ("Golden Meditech" or "the Group"). Being a high-growth technology enterprise focusing on China's medical device and healthcare services industries, Golden Meditech achieved persistent and strong growth for the financial year ended March 31, 2008 with total revenue of HK$421,147,000, representing an increase of 27% on a year-on-year basis, or a compound annual growth rate ("CAGR") of 25% for the past five years. The Group's profit attributable to equity shareholders increased by 206% to hit HK$683,744,000 at a five-year CAGR of about 60%. At the same time, the Group's net assets rose to HK$3,552,964,000, at a five-year CAGR exceeding 47%. The Group has not only maintained its leading position in each of the business segments, but has also enlarged its market share and maintained the high profit margins of its core businesses.

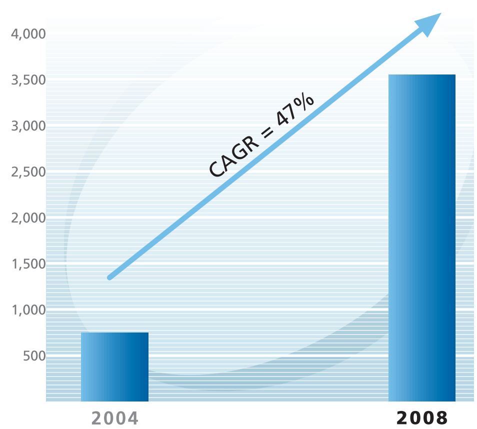
It is worth noting that the strategic investments and acquisition projects we made in the past have experienced significant growth in terms of scale of operations, market position and operating efficiency, especially in respect to our ever-growing Cord Blood Bank business and the investments in consumer electronic products distribution channels. We believe that these businesses will help to deliver the Group's pledge of generating returns to our shareholders.

(Charts: compound annual growth rates of total turnover, net assets and profit attributable to equity shareholders over the last five years)

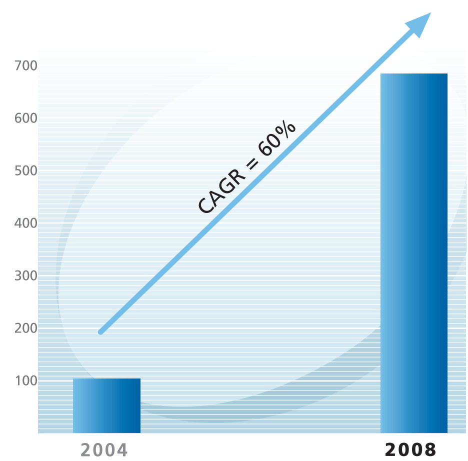
Turnover (HK$ million)



Net Assets (HK$ million)



Profit Attributable to Equity Shareholders (HK$ million)



The Group has been able to maintain strong growth momentum owing to the following factors:

1. successful corporate development strategies;

2. constantly strengthening corporate core competitiveness and consolidating market leadership position;

3. pro-active but prudent approach on investments and acquisitions;

4. shareholders' confidence and support and the hard work of all our staff.

SUCCESSFUL CORPORATE DEVELOPMENT STRATEGIES

On reviewing the seven years' development since its listing, Golden Meditech strived to focus on its original business and the Chinese market. In addition to constantly strengthening its corporate core competitiveness, it also widened its business scope and scale of operation through effective investments and acquisitions thereby accelerating the pace of development and enhancing value for shareholders.

Being a China-focused healthcare company, Golden Meditech has successfully transformed itself from a medical device enterprise, with the Autologous Blood Recovery System ("ABRS") being its sole product, into a market-driven and integrated business platform of medical devices and medical services. Such success has been largely built on Golden Meditech's thorough understanding of market demands, the management's efficiency ability and our efficiency in commercialising products and services.

Golden Meditech's Integrated Business Platform

In addition to strengthening our established network and collaborations with major hospitals within the country, this platform also enables us to be more responsive to customers' needs, keep abreast with market trends, develop customised and innovative new products and services, implement effective distributions, and to fully utilise the Group's operational advantages and synergies. We are confident that the medical devices and healthcare services presently are, and will continue to be in the foreseeable future, the most promising businesses in China with great potential. Driven by China's booming economy, and underpinned by our highly experienced management team, established leadership in the businesses, as well as our abilities in managing external changes and leveraging on market opportunities, Golden Meditech is well positioned to capture new business opportunities arising from the medical device and healthcare service sectors.

CONSTANTLY STRENGTHENING CORPORATE CORE COMPETITIVENESS AND CONSOLIDATING MARKET LEADERSHIP POSITION

Last year the Group continued to uphold its dominant market position in each of the business sectors especially in regard to our Medical Device Segment, our flagship product is undoubtedly the leader in the blood recovery device market. Benefiting from our progressive penetration into targeted major hospitals and the increased clinical usages, sales of Disposable Chambers maintained a double-digit growth. The new medical devices, Model 3000H Plasma Exchange System and Model HS-9000 Accelerated Thermostatic Infusion Pump, will be launched in the coming year, and they are expected to provide contributions to the Group's revenue in the long term.

Another growth engine driving the Group forward is the Cord Blood Bank Service Segment, which has extended its market coverage from Beijing to Guangdong Province. As a result of this geographic expansion and effective market penetration, the current targeted market of the Cord Blood Bank Segment has exceeded that of the previous financial year by nearly 10 times. The total turnover of the Cord Blood Bank Segment continued to record a sharp annual growth rate of close to 100% since 2004.

The penetration rate of cord blood bank service in Beijing has almost or exceeded that of other countries and regions in Asia. In the six provinces and municipal cities where cord blood bank service is authorized by the Ministry of Health, Golden Meditech is the only operating enterprise with two licenses. Golden Meditech is far ahead of other market players in terms of quality of service, overall scale, market share, operational model, etc.

PRO-ACTIVE BUT PRUDENT INVESTMENTS AND ACQUISITIONS

Adhering to our development strategy, considerable contributions of revenue have been attained through acquisitions and investments conducted in a pro-active but prudent manner. For instance, the Group's business expansion in Guangdong Province was realised through the acquisition of a local cord blood bank operator, enhancing our addressable market by nearly 10 times. The Group's initial investment value in the Cord Blood Bank Segment was enhanced by five times after the successful private placement. Beijing Pypo, an electronic consumer products distributor, has not only contributed to the Group's profitability, but also generated an investment return of over 50% through a successful private placement. In addition, our alliance with China Healthcare Inc. ("CHI"), one of the largest retail chains of healthcare products in England and Ireland, has not only provided sales channels for our current products to penetrate the emerging European market, but also enabled us to further tap into the European market by fully utilising our existing production facilities and laboratories and enhancing the development of the European market for natural herbal medicines.

SHAREHOLDERS' TRUST AND SUPPORT AND OUR STAFF's DEDICATION

Golden Meditech's management is committed to fulfilling its pledge to continuously enhancing shareholders' value. In return, the long-term support and confidence displayed by our valued shareholders enable us to execute business strategies effectively. During the year under review, the Group boosted its overall performance, increased its cash inflows and maintained its gross profit margin.

In addition, the Group disposed of part of its strategic investment assets during the year, achieving an investment return of 30 times and undertook share buybacks for approximately HK$93 million this year. We believe that our actions will allow our shareholders to share the fruits of our business success.

On the other hand, being a publicly listed entity highly conscious of its social responsibilities, Golden Meditech has promptly responded to the relief work for Sichuan earthquake victims. The Group has donated over HK$4 million in cash and medical devices (ABRS) to Red Cross China. We also sent a team of over 10 volunteers to Sichuan to provide on-site assistance. We also commit to rebuild a "Project Hope School" in Sichuan, to help the children go back to school as soon as possible. These initiatives have drawn great applause and support from the public and our shareholders.

The continuous growth of Golden Meditech is entirely owed to the hard work of all our staff who are dedicated to the medical industry, diligent, share the same core corporate values and beliefs, demonstrate high level of initiative and solidarity. They enable the Group to attain every strategic target by completing the task assigned to each individual.

PROSPECTS FOR THE FINANCIAL YEAR 2008-2009

We are fortunate to have been well positioned in China's booming medical device and healthcare services businesses. Against a robust national economy, increasing government expenditure in the medicare sector, Chinese people's growing income and mounting health awareness, Golden Meditech will endeavor to capture these valuable business opportunities.

To sum up, we will continue our efforts to achieve organic growth of our key businesses through geographic expansion, introduction of new products and increasing market penetration. At the same time, we will actively identify merger and acquisition targets which will create synergy with Golden Meditech's existing businesses, so as to fully utilise the solid experience of our management team and our competitive edges in China's medical sector in terms of product and technology commercialisation, customer base and sales channels for continuous growth. We will strive to become a leading global integrated medical corporation, thus enhancing returns for our shareholders and the community.

Last but not least, I would like to express my deepest gratitude, on behalf of the Board, to all shareholders for their trust and support, and to the Group's management team and all our staff for their dedication and efforts.

KAM Yuen
Chairman

Hong Kong, 25 June 2008

Management
Discussion and Analysis

OVERALL BUSINESS REVIEW

Golden Meditech Company Limited achieved satisfying results in the 2007/08 financial year. The Group not only continued to maintain its leading position in all business segments, but also improved the corporate structure of its business operations comprising primarily medical devices and healthcare services and its product mix. All these laid solid foundations for the Group to sustain its high-growth momentum into the future.

The Group recorded total revenue of HK$421,147,000 in the 2007/2008 financial year, up 27% from that in the previous year. The Group's profit for the year increased by 209% to HK$713,653,000, while the profit attributable to equity shareholders of the Company increased by 206% to HK$683,744,000. Basic earnings per share increased by 198% to HK44.1 cents.

BUSINESS SEGMENT REVIEW

The Medical Devices Segment – Maintaining Stable Development

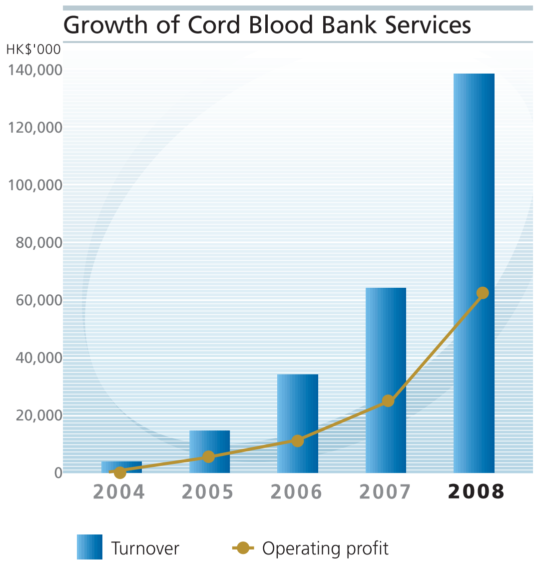
The Medical Devices Segment, one of the Group's core businesses, maintained steady growth and its leading position in the market. The sale of the Segment's Autologous Blood Recovery System ("ABRS") has entered a stage of steady growth. For the year under review, the turnover and operating profit of the Medical Devices Segment were HK$283,338,000 and HK$200,940,000 respectively. The Group plans to launch in the coming year two new products, namely, Model 3000H Plasma Exchange System and Model HS-9000 Accelerated Thermostatic Infusion Pump. The management expects that these two new products will generate considerable sales and thus become the focal points for the Segment's income growth in the long run.

As a result of the enactment of the new "Corporate Income Tax Law of the People's Republic of China" on 1 January 2008, the corporate income tax rate applicable to the Medical Devices Segment is expected to rise from 10% in Calendar Year 2007 to 18% in Calendar Year 2008. Such substantial increase in the corporate income tax rate will bring about negative impact on the Segment's net profit going forward. As such, the management will adjust all strategies and approaches, implement all necessary strategies and tactics and explore new cooperation opportunities with multinational companies carrying on similar business in order to offset the impact of the higher income tax rate. Such efforts are

expected to enhance the Group's competitiveness and profitability. The management considers that following the consolidation of the leading position of its flagship product, successful launch of new products and fostering of international strategic partnerships, the Medical Devices Segment will maintain its strong position in the market and increase returns for the Group in the near future.

Healthcare Services Segment – Cord Blood Bank Services Continuing to Grow by Leaps and Bounds

Through the unrelenting efforts of the management team, the Cord Blood Bank Segment extended its operation from Beijing to Guangdong Province, which in turn increased the size of its target market by 10 times. The Segment recorded a turnover of HK$137,809,000, representing an increase of 116% compared to last year. The Segment's contribution to the Group's operating profit increased significantly by 150% from HK$25,142,000 in the last financial year to HK$62,811,000 in the current financial year. The Group's subsidiary, China Cord Blood Services Corporation ("CCBS"), is the first and the only cord blood storage service provider to have more than one operating permit in China. Currently only six regions in China are permitted to provide cord blood storage services, and CCBS owns the exclusive operating licenses in Beijing and Guangdong Province.



Benefiting from the booming economy of China, its one-child policy and the families' increased care and attention to the children throughout the country, the synergies provided by the Group's established sales network with the hospitals, advantages offered by exclusive operating rights in the designated regions and effective marketing and promotion campaigns, the Cord Blood Bank Segment has entered into a high-growth phase. Backed by the continuous growth of the Segment, two new cord blood bank facilities in Beijing and Guangdong Province are under construction and will commence operation in 2008, laying solid foundations for the Segment's strong growth in the future.

As a result of the enactment of new tax law mentioned above, the income tax rate applicable to the Beijing Cord Blood Bank is expected to increase from 7.5% in Calendar Year 2007 to 9% in Calendar Year 2008. The income tax rate applicable to the Guangdong Cord Blood Bank, however, is expected to decrease from 33% in Calendar Year 2007 to 25% in Calendar Year 2008. In light of the tremendous growth prospects for the Guangdong Cord Blood Bank and its huge potential contribution to the Group's profit in the future, the management considers that the current overall impacts on the Group's Cord Blood Bank Segment arising from the change of tax rate are positive.

To meet the funding needs of its business, CCBS raised approximately US$23,000,000 through a private placement in May 2007, based on a valuation of US$200 million giving rise to a an increase in CCBS's valuation of nearly six fold over the last four years. After this share placement, the Group has a 50.25% equity interest in CCBS.

Natural Herbal Medicines Segment - Extended Reach to European Market

In December 2007, the merge of the Group's Natural Herbal Medicines Segment with China Healthcare Inc. (CHI), one of the largest retail chains of healthcare products in England and Ireland, by way of a reorganisation of their assets, was successfully completed. After the merge, CHI became a 40% associate of the Group, and the Group is in possession of the capacities for research and development, production, testing, sales and rendering services in natural herbal medicines via its 40% equity interest in CHI. This enabled the Natural Herbal Medicines Segment to avoid the fierce competition in the domestic market and at the same time created unrivaled competitive advantages over its competitors. The management believes that this business will become a new driving force for the Group's profit growth. The Segment has been classified as a discontinued operation in the Group's consolidated financial statements for the year ended 31 March 2008, but the Group will continue equity accounting for its share of profits less losses and net assets of CHI.

Strategic Investments – Focused on Healthcare Industry

Golden Meditech not only has experienced management teams with demonstrated capabilities of commercialising innovative products and strong leading position in the market but also a sound track record of successful investments and experiences. For example, the new subscriber sign-ups in the Cord Blood Bank Segment have grown at a compound annual growth rate of more than 100% since it was acquired in 2003. The consumer electronic products distribution business has successfully brought in strategic investors during the year ended 31 March 2008 and raised US$90,000,000 through a private placement at a valuation of US$270 million. The management adheres to its pro-active but prudent approach in making strategic investments and will strive to fulfill its pledge of maximising the shareholders' value by leveraging on its competitive advantages in different areas including its existing businesses, distribution network and management capabilities to capture any upcoming opportunities.

FINANCIAL REVIEW

Overview

For the year ended 31 March 2008, all business segments of the Group registered steady and healthy growth with favourable returns. Such satisfactory results were in line with management's expectations. Turnover amounted to HK$421,147,000, representing an increase of 27% as compared to last year. Basic earnings per share from continuing operations reached HK37.7cents. Among the three core business segments, the Medical Devices Segment remained as the Group's principal source of operating income, accounting for 67% of the total turnover. The Cord Blood Bank Segment contributed the remaining 33% of the turnover after three consecutive years of high growth. The management believes that the Medical Devices Segment will continue to bring stable and substantial revenue to the Group, while the percentage of turnover contributed by the Cord Blood Bank Segment will increase.

Gross profit margin

The Group's overall gross profit margin remained at 71% for the year under review. The gross profit margins for the Medical Devices Segment and the Cord Blood Bank Segment are approximately the same.

Other net income

The Group adopted a cautious and prudent approach in capital and asset management in view of the volatility of the capital markets. During the year, the Group carried out a series of treasury measures to improve its capital efficiency. This included entering into certain financial derivative contracts to hedge the Group's holdings in some listed securities, entering into certain principal protected deposit agreements to maximise the Group's capital return and investing in several low-risk publicly traded securities. Total net income from these treasury activities amounted to HK$336,802,000 for the year under review.

Selling and administrative expenses

Along with the increases in the Group's turnover and profits, total selling and administrative expenses recorded an increase, from last year's HK$96,435,000 to current financial year's HK$160,409,000. Excluding the staff performance bonus retained in response to the Group's exceptional performance this financial year, selling and administrative expenses accounted for 30% of the total revenue, at the same level as last year. The Group has always adhered to prudent cost controls and will continue to ensure that expenses are kept at a reasonable level.

Research and development (R&D) and successful outcomes

Currently, the Group's R&D concentrates mostly on medical devices and natural herbal medicines. For the year under review, the Group obtained approvals from the State Food and Drug Administration for production of Model 3000H Plasma Exchange System and Model HS-9000 Accelerated Thermostatic Infusion Pump. Following their launches in the market, the two products are expected to make a significant contribution to the Group's income growth.

Finance costs

For the year ended 31 March 2008, finance costs rose to HK$20,628,000 compared to HK$10,817,000 last year. Such increase was the result of a 5-year unsecured bank loan of US$30,000,000 obtained during the year. The new bank loan interest rate is based on forward interest rates and interest is paid annually at each anniversary of the draw down date.

Share buyback and dividend policy

Creating value and increasing returns to shareholders have always been the ultimate goal of Golden Meditech's management team. Throughout the past few years, the Group has carried out a stable cash dividend policy (about 20% of the net income is appropriated for dividend payment). For the year under review, the management mobilised HK$93,000,000 for the share buybacks arising from confidence in the intrinsic value and future development of the Group. Such share buybacks preserve the shareholders' value. In view of the volatility of the global financial markets in this year and the uncertainty of the markets in the future, the management does not propose the payment of final dividend in order to retain funds and, depending on market conditions, to carry out at the appropriate time another share buyback to maximise the shareholders' value.

Capital structure, liquidity and financial resources

Assets and shareholders' interests

As at 31 March 2008, the Group's total assets were HK$4,190,077,000 (2007: $3,044,038,000); Shareholders' interests were recorded as HK$3,232,898,000 (2007: HK$2,560,154,000).

Liquidity

As at 31 March 2008, the Group's cash and bank balances were HK$997,747,000 (2007: HK$688,226,000); total bank borrowings were HK$351,815,000 (2007: HK$110,122,000).

Financial resources

The Group has always maintained a stable financial position and has sufficient cash to satisfy future cash requirements. As at 31 March 2008, the Group's interest-bearing liabilities totalled HK$351,815,000 (2007: HK$208,958,000).

Gearing ratio

As at 31 March 2008, the Group's gearing ratio was 9.9%, calculated as a percentage of total interest-bearing liabilities over total equity (2007: 7.7%).

Exchange rate risk

The Group's sales and purchases are mainly conducted in Renminbi. The Group's main assets and liabilities are also denominated in Renminbi. The management believes that the trend in the appreciation of Renminbi will benefit the Group and currently any currency hedging arrangements are not necessary.

Employees

The Group, including subsidiaries but excluding associates and jointly controlled entities, employs 561 full-time employees in Hong Kong and the PRC. During the year under review, the Group incurred staff costs (including Directors' remuneration and contributions to mandatory provident funds) of HK$102,966,000 (2007: HK$53,426,000).

Treasury policies

The Group adopts prudent treasury policies. To reduce exposure to credit risk, the Group performs recurring credit evaluations on the financial positions of its customers. To manage liquidity risk, the management closely monitors the liquidity of the Group to ensure that the liquidity structure of the Group can satisfy the funding requirements.

Charges on group assets

As at 31 March 2008, the total net book value of the assets charged for bank loans amounted to HK$100,754,000 (2007: HK$97,733,000).

CORPORATE STRATEGIES & PROSPECTS

Being a China-market-focused and fast-growing healthcare corporation, Golden Meditech always focuses its attention on its core businesses, to ensure the successful execution and implementation of every of its decided corporate strategies and to sustain its growth momentum and to fulfil its commitment to shareholders to enhance their valuation and returns.

The Group's corporate strategies are as follows:

1. Develop and perfect its existing integrated medical device and healthcare services business platform, optimise product portfolios and reinforce its presence in each segment.

2. Boost the organic growth of core businesses and strengthen its leading position in each segment through market penetration, geographic expansion and new product development.

3. Drive growth of the core businesses via strategic investments, and mergers and acquisitions by leveraging on our management experiences in commercialising innovative products and healthcare services in China as well as the Group's competitive edges in terms of brand recognition, nationwide customer networks and distribution channels, to pave the way for a strong and sustainable growth in the long run.

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 March 2008.

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 2008, 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 by the Directors to fill a causal vacancy or as an addition to the Board shall be subject to re-election at the first annual general meeting after appointment.

In accordance with the Company's Articles of Association, Ms. JIN Lu, Mr. LU Tian Long and Prof. GU Qiao shall retire by rotation at the annual general meeting of the Company to be held on 3 September 2008 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 2008.

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 2008, fourteen Board meetings were held.

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

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Executive Committee**
Executive Directors:				
Mr. KAM Yuen (Chairman)	14/14	N/A	N/A	6/6
Ms. JIN Lu	14/14	N/A	N/A	N/A
Mr. LU Tian Long	14/14	N/A	N/A	N/A
Ms. ZHENG Ting	14/14	N/A	N/A	6/6
Independent Non-Executive Directors:				
Prof. CAO Gang	14/14	4/4	2/2	N/A
Mr. GAO Zong Ze	14/14	4/4	2/2	N/A
Prof. GU Qiao	14/14	4/4	2/2	N/A

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, re-appointment and removal of external auditors and to assess their independence and performance, and also to approve the remuneration and terms of engagement of the external auditors;
- 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 2008. 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 2008 have been reviewed by the Audit Committee.

Executive Committee

The Company established an executive committee (the "Executive Committee") in April 2007 for the purpose of reviewing and approving certain operational matters of the Group in order to enhance the efficiency of the operation and decision-making process of the Board. Currently, the Executive Committee comprises the Chairman Mr. Kam Yuen and Ms. Zheng Ting, an Executive Director. The primary functions of the Executive Committee include the establishment of bank accounts, the issue of shares upon the exercise of options granted or to be granted under the Company's share option schemes, approval of the transfer of the convertible bond issued by the Company, the issue of shares upon conversion of the convertible bond and the execution of repurchases of the Company's own shares. Meetings of the Executive Committee may be convened by any of its members and shall be held as its work demands.

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 the 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 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, taking 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 2008.

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 2008, the Directors have selected suitable accounting policies and applied them consistently. The Directors have 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.

KPMG, the external auditors of the Company, acknowledge their responsibilities for the audit of the financial statements of the Company for the year ended 31 March 2008 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2008, the fees payable to the external auditors for audit services were HK$4,718,000 and fees payable for other services, primarily for non-statutory financial statement audits, were HK$7,100,000.

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 offer 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 46, 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 over 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 42, 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 56, has been an Executive Director of the Company since September 2001. He is a Director and the General Manager of the medical devices operation. He is responsible for the production, operations and management of the medical devices operation.

Ms. ZHENG Ting (鄭汀), aged 36, 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 63, 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 68, 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, the Vice Chairman of China Maritime Law Association (中國海商法協會) and is also a committee member and arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). 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 61, 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 2008, 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 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 Institue 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) and is also the Vice-President of Chinese Society for Blood Transfusion, the Vice-President of Chinese Society for Experimental Hematology. He received his doctoral degree from the Military Medical Science University in 1997.

Prof. WANG Bao Guo (王保國), the Professor and supervisor to doctoral and postgraduate candidates of Department of Anesthesiology, Capital University of Medical Sciences, the director of the Brain Sciences Institute of Beijing, the Chief Specialist of the Department of Anesthesiology and Chief Physician in the hospital. He is also a member of Beijing Clinical Transfusion Administrative Committee, and a member of the Medical Accident Appraisal Specialist Bank in Beijing. 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 in 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 prestigious China Science and Technology Progress Award and a number of other top scientific awards.

SENIOR MANAGEMENT

Mr. LU Shu Qi (路書奇), aged 60, Deputy General Manager of the medical devices operation, is responsible for the production, general management and daily operations of this segment. 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 39, is the Qualified Accountant and Company Secretary of the Company. 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 56, Deputy General Manager of the medical devices operation, is in charge of this segment'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 55, Deputy General Manager and Finance Manager of the medical devices operation, is currently in charge of financial systems of this segment. 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 43, is the Sales Manager of the medical devices operation. 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 45, is the Quality Control Manager of the medical devices operation. In addition to ensuring the quality of products, he is also responsible for various aspects of the production technology of this segment, including product standards, production procedures and technological improvements.

Prof. LIU Kai Yan (劉開彥), aged 52, Chief Scientist of the cord blood bank operation, 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 52, Chief Operating Officer of the cord blood bank operation, is responsible for the daily operations and management of this segment. 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 54, Chief Technical Officer of the cord blood bank operation, is in charge of the daily operations and logistic control of the cord blood bank 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 32, is the Chief Financial Officer of the cord blood bank operation. He is in charge of this segment'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 38, Marketing Director of the cord blood bank operation, is in charge of designing and implementing the marketing campaign and managing the sales and marketing force of this segment. 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 37, is the Financial Controller of the cord blood bank operation. He is in charge of the daily financial management and internal control of this segment. 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.

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 2008.

PRINCIPAL PLACE OF BUSINESS

The Company is 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 19 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 15 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	41%	
Five largest customers in aggregate	66%	
The largest supplier		15%
Five largest suppliers in aggregate		50%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors own 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 2008 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 45 to 139 of this annual report.

RESERVES AND DIVIDENDS

Profits attributable to equity shareholders of the Company, before dividends, of HK$683,744,000 (2007: HK$223,365,000) 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 50 and 51 of this annual report.

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2008 (2007: HK3.1 cents per share).

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$Nil (2007: HK$1,974,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 16 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 33 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. Shares were issued during the year on exercise of share options, conversion of convertible bonds and as scrip dividends.

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. JIN Lu, Mr. LU Tian Long and Prof. GU Qiao 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 9 and 10 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 which 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 which 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 2008, the interests and short positions of the directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares in, and debentures of, the Company or any of 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 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 have 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)	28.11% (4.01%)
	Beneficial owner	—	63,206,245[3]	63,206,245	4.09%
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 2008.

(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$1.0 each			
Name of directors	Capacity and nature of interests	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 31 March 2008, 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 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 have 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 schemes of the Company

The principal terms of the share option schemes of the Company are summarised in note 36(a) to the financial statements.

A summary of movements of share options granted under the share option schemes of the Company for the year ended 31 March 2008 is as follows:

Name of directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at 1 April 2007	Number of shares acquired on exercise of options during the year	Number of underlying shares in respect of which share options were outstanding as at 31 March 2008	Exercise price *HK$*	Market value per share at grant date *HK$*
Mr. KAM Yuen	30 March 2005[1]	63,206,245	—	63,206,245	1.76	1.56
Mr. LU Tian Long	4 March 2005[2]	400,000	—	400,000	1.60	1.60
Ms. ZHENG Ting	4 March 2005[2]	2,000,000	—	2,000,000	1.60	1.60
Full-time employees (other than directors)	4 March 2005[2]	11,970,000	(100,000)[3]	11,870,000	1.60	1.60
		77,576,245	(100,000)	77,476,245		

The options granted to the directors are registered under the names of the directors who are also the beneficial owners.

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) Share options were exercised as follows:

Date of exercise	Weighted average closing price of shares immediately before the date of exercise
19 November 2007	HK$3.51

(4) No share options granted under the share option schemes of the Company were cancelled or lapsed during the year ended 31 March 2008.

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 "Effective Date"). Principal terms of the CSC Scheme are summarised in note 36(b) to the financial statements.

A summary of share options granted under the CSC Scheme 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 31 March 2007 and 2008	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
		100,000	

Notes:

(1) The share options are exercisable as to:

(i) up to 30% immediately from 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 2008.

SHARE OPTION SCHEMES *(Continued)*

Information on the accounting policy for the share options granted and weighted average value per option is provided in note 2(r)(ii) and note 36 to the financial statements respectively.

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 eighteen years of age had been granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right during the year.

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

As at 31 March 2008, 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:

(i) **Long position/(short position) of substantial shareholders**

Name	**Capacity and nature of interest**	**No. of issued shares**	**Approximate percentage of the Company's issued share capital[3]**
Bio Garden[1]	Beneficial owner	433,916,000 (61,832,000)	28.11% (4.01%)
Mr. Kent C. McCarthy[2]	Interest of controlled corporation	299,362,419	19.39%
Jayhawk China Fund (Cayman), Ltd.[2]	Investment manager	177,493,735	11.50%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

(ii) **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[(3)]
Martin Currie (Holdings) Limited	Interest of controlled corporation	114,848,000	7.44%
Wellington Management Company, LLP	Investment manager	77,598,000	5.03%

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 177,493,735 shares held by Jayhawk China Fund (Cayman), Ltd.

(3) 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 31 March 2008, the directors are not aware of any other person or corporation having an interest or short position in the shares or 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, the Company has maintained the prescribed public float under the GEM Listing Rules during the year ended 31 March 2008 and as at the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its 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 2008 are set out in notes 31 and 33 to the financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 41 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 140 and 141 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 2008

KPMG

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 45 to 139, which comprise the consolidated and Company balance sheets as at 31 March 2008, the consolidated income statement, the consolidated and Company statements of changes in equity and the 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 2008 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 2008

Consolidated Income Statement

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	4	**421,147**	331,134
Cost of sales		**(122,036)**	(96,621)
Gross profit		**299,111**	234,513
Other revenue	5	**64,174**	44,697
Other net income	6	**332,435**	73,015
Selling expenses		**(33,027)**	(17,999)
Administrative expenses		**(127,382)**	(78,436)
Profit from operations		**535,311**	255,790
Finance costs	7(a)	**(20,628)**	(10,817)
Gain on deemed disposal of partial interests in jointly controlled entities	21	**55,416**	—
Share of profits less losses of associates	20	**(3,683)**	1,497
Share of profits of jointly controlled entities	21	**72,340**	34,100
Profit before taxation	7	**638,756**	280,570
Income tax	8(a)	**(24,244)**	(15,818)
Profit for the year from continuing operations		**614,512**	264,752
Discontinued operation			
Profit/(loss) for the year from discontinued operation	11	**99,141**	(34,101)
Profit for the year		**713,653**	230,651
Attributable to:			
Equity shareholders of the Company	12	**683,744**	223,365
Minority interests		**29,909**	7,286
Profit for the year		**713,653**	230,651

Consolidated Income Statement (continued)

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
Final dividend proposed after the balance sheet date	13	**—**	47,189
Earnings/(loss) per share	14		
Basic (in cents)			
– From continuing and discontinued operations		**44.1**	14.8
– From continuing operations		**37.7**	17.0
– From discontinued operation		**6.4**	(2.2)
Diluted (in cents)			
– From continuing and discontinued operations		**42.4**	14.3
– From continuing operations		**36.3**	16.4
– From discontinued operation		**6.1**	(2.1)

The notes on pages 55 to 139 form part of these financial statements.

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008		2007	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	16(a)				
– Property, plant and equipment			**347,274**		267,838
– Interests in leasehold land held for own use under operating leases			**4,299**		5,293
			351,573		273,131
Intangible assets	17		**85,488**		516,581
Goodwill	18		**67,169**		74,450
Interests in associates	20		**713,743**		33,345
Interests in jointly controlled entities	21		**657,764**		504,509
Available-for-sale equity securities	22		**410,192**		561,936
Other financial assets	23		**481,819**		77,007
Deferred tax assets	32(b)		**5,482**		8,652
			2,773,230		2,049,611
Current assets					
Other investments	24	**131,951**		6,417	
Inventories	25(a)	**49,028**		35,760	
Trade receivables	26	**161,241**		166,544	
Other receivables, deposits and prepayments	27	**76,880**		97,480	
Cash and bank balances	28	**997,747**		688,226	
		1,416,847		994,427	
Current liabilities					
Trade payables	29	**25,467**		31,399	
Other payables and accruals	30	**158,375**		37,216	
Bank loans	31	**9,000**		110,122	
Current taxation	32(a)	**6,064**		5,637	
Convertible bonds	33	**—**		98,836	
		198,906		283,210	
Net current assets			**1,217,941**		711,217
Total assets less current liabilities			**3,991,171**		2,760,828

Consolidated Balance Sheet *(Continued)*

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008		2007	
		$'000	**$'000**	$'000	$'000
Non-current liabilities					
Deferred income	34	**79,967**		35,161	
Other non-current liabilities		**15,203**		3,160	
Government grant		**222**		202	
Bank loans	31	**342,815**		—	
			438,207		38,523
NET ASSETS			**3,552,964**		2,722,305
CAPITAL AND RESERVES					
Share capital	35(a)		**154,352**		152,222
Reserves	35(b)		**3,078,546**		2,407,932
Total equity attributable to equity shareholders of the Company			**3,232,898**		2,560,154
Minority interests			**320,066**		162,151
TOTAL EQUITY			**3,552,964**		2,722,305

Approved and authorised for issue by the board of directors on 25 June 2008

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 55 to 139 form part of these financial statements.

Balance Sheet

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008		2007	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment	16(b)		**3,131**		4,331
Interests in subsidiaries	19		**1,021,556**		1,322,525
Other financial assets	23		**399,077**		—
			1,423,764		1,326,856
Current assets					
Other investments	24	**28,523**		6,417	
Other receivables, deposits and prepayments		**3,843**		2,877	
Cash and bank balances	28	**68,256**		151,473	
		100,622		160,767	
Current liabilities					
Other payables and accruals	30	**53,788**		11,034	
Bank loans	31	**9,000**		9,000	
Convertible bonds	33	**—**		98,836	
		62,788		118,870	
Net current assets			**37,834**		41,897
Total assets less current liabilities			**1,461,598**		1,368,753
Non-current liabilities					
Bank loans	31		**232,024**		—
NET ASSETS			**1,229,574**		1,368,753
CAPITAL AND RESERVES					
Share capital	35(a)		**154,352**		152,222
Reserves	35(b)		**1,075,222**		1,216,531
TOTAL EQUITY			**1,229,574**		1,368,753

Approved and authorised for issue by the board of directors on 25 June 2008

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 55 to 139 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008
(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 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
Changes in fair value of available-for-sale equity securities		—	—	—	—	—	—	—	335,179	—	—	335,179	(5,821)	329,358
Exchange differences on translation of financial statements of companies outside Hong Kong		—	—	—	—	—	141,580	—	—	—	—	141,580	19,139	160,719
Net income recognised directly in equity		—	—	—	—	—	141,580	—	335,179	—	—	476,759	13,318	490,077
Transfer to profit or loss on disposal of available-for-sale equity securities		—	—	—	—	—	—	—	(499,324)	—	—	(499,324)	—	(499,324)
Disposal of subsidiaries	38(b)	—	—	—	—	—	(32,766)	—	—	96,000	(96,000)	(32,766)	—	(32,766)
Profit for the year		—	—	—	—	—	—	—	—	—	683,744	683,744	29,909	713,653
Total recognised income and expense for the year		—	—	—	—	—	108,814	—	(164,145)	96,000	587,744	628,413	43,227	671,640
Dividend approved in respect of the previous year	13(b)	—	—	—	—	—	—	—	—	—	(47,189)	(47,189)	—	(47,189)
Movements in equity arising from capital transactions:														
Equity-settled share-based transactions		—	—	—	2,850	—	—	—	—	—	—	2,850	2,128	4,978
Contribution from minority shareholders	19	—	—	—	—	—	—	—	—	73,328	—	73,328	112,560	185,888
Shares repurchased and cancelled	35(a)(ii)	(3,385)	(89,591)	3,385	—	—	—	—	—	—	(3,385)	(92,976)	—	(92,976)
Issue of shares upon conversion of convertible bonds	35(a)(iii)	5,263	101,205	—	(6,740)	—	—	—	—	—	—	99,728	—	99,728
Issue of shares upon exercise of share options	35(a)(iv)	10	160	—	(10)	—	—	—	—	—	—	160	—	160
Issue of shares for scrip dividend	35(a)(v)	242	8,188	—	—	—	—	—	—	—	—	8,430	—	8,430
Transfer to surplus reserve		—	—	—	—	—	—	17,595	—	—	(17,595)	—	—	—
		2,130	19,962	3,385	(3,900)	—	—	17,595	—	73,328	(20,980)	91,520	114,688	206,208
At 31 March 2008		154,352	1,018,875	4,908	13,388	54,193	207,126	78,828	157,906	(4,670)	1,547,992	3,232,898	320,066	3,552,964

for the year ended 31 March 2008
(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		—	—	—	—	—	—	—	—	(29,731)	—	(29,731)	29,731	—
Acquisition of minority interests		—	—	—	—	—	—	—	—	(207,516)	—	(207,516)	(16,496)	(224,012)
Contribution from minority shareholders		—	—	—	—	—	—	—	—	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)(iii)	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

The notes on pages 55 to 139 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2008
(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 2007		152,222	998,913	1,523	16,214	199,881	1,368,753
Loss for the year	12	—	—	—	—	(108,033)	(108,033)
Dividend approved in respect of the previous year	13(b)	—	—	—	—	(47,189)	(47,189)
Movements in equity arising from capital transactions:							
Equity settled share-based transactions		—	—	—	701	—	701
Shares repurchased and cancelled	35(a)(ii)	(3,385)	(89,591)	3,385	—	(3,385)	(92,976)
Issue of shares upon conversion of convertible bonds	35(a)(iii)	5,263	101,205	—	(6,740)	—	99,728
Issue of shares upon exercise of share options	35(a)(iv)	10	160	—	(10)	—	160
Issue of shares for scrip dividend	35(a)(v)	242	8,188	—	—	—	8,430
		2,130	19,962	3,385	(6,049)	(3,385)	16,043
At 31 March 2008		154,352	1,018,875	4,908	10,165	41,274	1,229,574

	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	12	—	—	—	—	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)(iii)	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

The notes on pages 55 to 139 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008	2007
		$'000	$'000
Operating activities			
Profit/(loss) before taxation			
- From continuing operations		**638,756**	280,570
- From discontinued operation	11(a)	**99,273**	(32,952)
		738,029	247,618
Adjustments for:			
- Depreciation	16(a)	**21,131**	18,808
- Amortisation of land lease premium	16(a)	**173**	189
- Amortisation of intangible assets	17	**23,894**	30,685
- Interest income	5	**(34,079)**	(26,868)
- Transfer from equity on disposal of available-for-sale equity securities	6	**(499,324)**	(52,828)
- Net realised and unrealised loss/(gain) on trading securities and derivatives	6	**149,449**	(20,135)
- Net unrealised loss on financial assets at fair value through profit or loss	6	**13,073**	—
- Net loss/(gain) on disposal of property, plant and equipment	6	**413**	(74)
- Finance costs	7(a)	**20,628**	10,817
- Gain on disposal of subsidiaries	11(a)	**(124,971)**	—
- Gain on deemed disposal of partial interests in jointly controlled entities	21	**(55,416)**	—
- Share of (profits) less losses of associates	20	**3,683**	(1,497)
- Share of profits of jointly controlled entities	21	**(72,340)**	(34,100)
- Equity-settled share based payment expenses	7(b)	**4,978**	4,327
- Effect of foreign exchange rates		**4,133**	(3,030)
Operating profit before changes in working capital		**193,454**	173,912
Increase in non-current trade receivables		**(15,167)**	(5,320)
Increase in non-current prepayments		**(18,751)**	—
Increase in inventories		**(8,430)**	(1,325)
Decrease/(increase) in trade receivables		**10,492**	(21,422)
(Increase)/decrease in other receivables, deposits and prepayments		**(10,173)**	1,137
Decrease in trade payables		**(7,217)**	(16,846)
Increase/(decrease) in other payables and accruals		**45,022**	(78,554)
Increase in deferred income		**41,444**	19,630
Increase in other non-current liabilities		**11,741**	3,160
Cash generated from operations		**242,415**	74,372
The People's Republic of China ("PRC") Income Tax paid		**(28,771)**	(13,560)
Net cash generated from operating activities		**213,644**	60,812

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
Investing activities			
Payment for construction in progress		**(90,038)**	(5,536)
Proceeds from disposal of construction in progress		**—**	40,449
Proceeds from disposal of property, plant and equipment		**68**	728
Payment for acquisition of property, plant and equipment		**(19,475)**	(44,453)
Cash advances to associates		**(21,555)**	—
Payment for acquisition of jointly controlled entities		**—**	(174,181)
Payment for financial assets at fair value through profit or loss		**(77,999)**	—
Payment for available-for-sale equity securities		**(111,469)**	(132,764)
Proceeds from disposal of available-for-sale equity securities		**546,997**	—
Payment for trading securities		**(141,573)**	(54,401)
Proceeds from the sale of trading securities		**39,101**	64,515
Payment for purchase of minority interests		**—**	(224,012)
Earnest money for acquisition of subsidiary	23(b)	**(395,621)**	(31,297)
Net cash inflow from acquisition of subsidiary	38(a)	**525**	—
Net cash outflow from disposal of subsidiaries	38(b)	**(2,283)**	—
Interest received		**28,634**	26,492
Net cash used in investing activities		**(244,688)**	(534,460)
Financing activities			
Proceeds from issue of ordinary shares	35(a)(i)	**—**	587,588
Payment for repurchase of shares	35(a)(ii)	**(92,976)**	(31,068)
Proceeds from new bank loans		**342,815**	—
Repayment of bank loan		**(101,122)**	(28,913)
Contribution from minority shareholders	19	**178,884**	152,634
Proceeds from partial disposal of subsidiary	19	**7,004**	—
Proceeds from shares issued under share option scheme	35(a)(iv)	**160**	—
Dividend paid		**(38,759)**	—
Interest paid		**(9,136)**	(8,650)
Net cash generated from financing activities		**286,870**	671,591
Net increase in cash and cash equivalents		**255,826**	197,943
Cash and cash equivalents at beginning of the year		**688,226**	481,666
Effect of foreign exchange rates changes		**53,695**	8,617
Cash and cash equivalents at end of the year	28	**997,747**	688,226

The notes on pages 55 to 139 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

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 note 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(k)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities

An associate is an entity 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.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group 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 (k)).

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 or the jointly controlled entity. 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(k)). In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

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

Investments in debt and 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:

Investment in a financial instrument is designated as at fair value through profit or loss upon initial recognition when the asset contains embedded derivative(s) that significantly modifies the cash flows that would otherwise be required under the contract and the separation of the embedded derivative(s) from the financial instrument is not prohibited (see note 2(g)).

For investments in securities designated as at fair value through profit or loss or which are held for trading, 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. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(v) and (vi).

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(k)).

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 resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in accordance with the policy set out in note 2(u)(v). Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(u)(vi). When these investments are derecognised or impaired (see note 2(k)), 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) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

An embedded derivative is a component of a hybrid or combined instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when and only when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with notes 2(f), (m), (o) or (p) depending on the nature of the host contract.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

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

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(w)).

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
Machinery	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)*

(i) 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(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(k)). 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(k)). 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:

Licences and certificates	8 years
Capitalised development costs	20 years
Proprietary Chinese medicine formulae	20 years
Operating rights for cord blood banks	30 years

Both the period and method of amortisation are reviewed annually.

(j) 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.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

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.

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(k)(ii)) and other 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities and receivables 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 unquoted 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare interim financial reports in compliance with HKAS 34, *Interim financial reporting*, in respect of each of the first three quarters of the financial year. At the end of the interim period, the Group applies the same impairment testing recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) 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.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(k)), 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 allowance for impairment of doubtful debts.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

(p) 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(t)(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.

(q) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement 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 share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share 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 share 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 share option is exercised (when it is transferred to share premium account) or the share option expires (when it is released directly to retained profits).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

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 profits 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 profits 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax (Continued)

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.

(t) 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(t)(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)*

(t) 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.

(u) 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 refunds

VAT refunds are recognised as income in the accounting period in which they are 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) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition (Continued)

(vi) Interest income

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

(vii) Compensation income

Compensation income is recognised when there is a reasonable assurance that it will be received.

(v) 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.

(w) 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)*

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the operation is available for sale in its present condition, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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 and corporate and financing expenses.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 37.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 35(d).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 46).

4 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"), research and development and the manufacture and sale of natural herbal medicines ("Natural Herbal Medicines").

Turnover represents the amounts received and receivable for goods sold, less returns, allowances, VAT and other sales tax, and income from services rendered to customers, less business tax of $7,790,000 (2007: $3,580,000).

Turnover recognised during the year is analysed as follows:

	2008 **$'000**	2007 $'000
Continuing operations		
Sales of ABRS Machines	**224,446**	216,765
Sales of Disposable Chambers	**58,892**	50,427
Cord Blood Bank service income	**137,809**	63,942
	421,147	331,134
Discontinued operation (note 11)		
Sales of Natural Herbal Medicines	**5,325**	9,940
	426,472	341,074

5 OTHER REVENUE

	2008 $'000	2007 $'000
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	**31,228**	26,860
Interest income on financial assets at fair value through profit or loss	**2,840**	—
VAT refunds	**18,491**	17,837
Compensation income	**9,898**	—
Dividend income from listed securities	**1,508**	—
Sundry income	**209**	—
	64,174	44,697
Discontinued operation (note 11)		
Interest income on financial assets not at fair value through profit or loss	**11**	8
Government grants	**—**	572
	11	580
	64,185	45,277

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% (2007: 14%) of sales of software products embedded in the ABRS Machines.

6 OTHER NET INCOME

	2008 $'000	2007 $'000
Continuing operations		
Available-for-sale equity securities: transfer from equity on disposal	**499,324**	52,828
Net realised and unrealised (loss)/gain on trading securities and derivatives	**(149,449)**	20,135
Net unrealised loss on financial assets at fair value through profit or loss	**(13,073)**	—
Exchange (loss)/gain	**(4,381)**	55
Net (loss)/gain on disposal of property, plant and equipment	**(282)**	75
Others	**296**	(78)
	332,435	73,015
Discontinued operation (note 11)		
Net loss on disposal of property, plant and equipment	**(131)**	(1)
	332,304	73,014

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2008 $'000	2007 $'000
(a)	Finance costs:		
	Continuing operations		
	Interest on bank loans wholly repayable within five years	**18,558**	6,867
	Interest on convertible bonds	**1,304**	3,557
	Other borrowing costs	**766**	393
		20,628	10,817
(b)	Staff costs#:		
	Continuing operations		
	Salaries, wages and other benefits	**95,333**	48,362
	Contributions to defined contribution retirement plans	**2,655**	737
	Equity settled share-based payment expenses	**4,978**	4,327
		102,966	53,426
	Discontinued operation		
	Salaries, wages and other benefits	**1,610**	1,534
	Contributions to defined contribution retirement plans	**401**	387
		2,011	1,921
		104,977	55,347

7 PROFIT BEFORE TAXATION *(Continued)*

	2008	2007
	$'000	$'000
(c) Other items:		
Continuing operations		
Cost of inventories#	**101,107**	78,168
Amortisation of land lease premium#	**95**	89
Amortisation of intangible assets#	**2,946**	2,008
Depreciation of property, plant and equipment#	**16,274**	13,314
Impairment loss on trade and other receivables	**765**	1,031
Research and development costs	**3,558**	3,180
Auditor's remuneration		
– audit services	**4,718**	3,993
– other services	**1,500**	800
Operating lease charges in respect of#		
– properties	**7,152**	2,605
– other assets	**520**	501
Discontinued operation		
Cost of inventories#	**3,697**	5,286
Amortisation of land lease premium#	**78**	100
Amortisation of intangible assets#	**20,948**	28,677
Depreciation of property, plant and equipment#	**4,857**	5,494
Research and development costs	**406**	1,484
Operating lease charges in respect of properties#	**—**	432

Cost of inventories includes $10,040,000 (2007: $8,849,000) from continuing operations and $2,576,000 (2007: $3,203,000) from discontinued operation 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 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Continuing operations

(i) Taxation in the consolidated income statement represents:

	2008	2007
	$'000	$'000
Current tax - Outside Hong Kong		
PRC income tax for the year	**28,659**	15,818
Deferred tax		
Effect of change in tax rate	**(1,224)**	—
Origination and reversal of temporary differences	**(3,191)**	—
	(4,415)	—
	24,244	15,818

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

	2008	2007
	$'000	$'000
Profit before taxation	**638,756**	280,570
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**145,817**	81,789
Tax effect of non-deductible expenses	**50,117**	11,994
Tax effect of non-taxable revenue	**(124,097)**	(28,347)
Reduced tax rate approved by tax authorities	**(30,008)**	(30,580)
Income tax exemption	**(14,547)**	(19,038)
Tax effect of previously unrecognised deferred tax assets and liabilities now recognised	**(1,814)**	—
Effect of change in tax rate	**(1,224)**	—
Actual tax expense	**24,244**	15,818

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

(b) Discontinued operation (note 11)

(i) Taxation in the consolidated income statement represents:

	2008	2007
	$'000	$'000
Deferred tax		
Effect of change in tax rate	**253**	2,702
Origination and reversal of temporary differences	**(121)**	(1,553)
	132	1,149

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008	2007
	$'000	$'000
Loss before taxation	**(25,698)**	(32,952)
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(8,480)**	(10,874)
Tax effect of non-deductible expenses	**8,064**	9,715
Tax effect of previously unrecognised deferred tax assets now recognised	**—**	(1,333)
Tax effect of unused tax losses not recognised	**295**	939
Effect of change in tax rate	**253**	2,702
Actual tax expense	**132**	1,149

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

(c) PRC income tax

The Group's subsidiaries in the PRC are subject to PRC income tax.

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

Another subsidiary of the Group, Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong") which was also registered in the Beijing Economic and Technology Development Zone and subject to an income tax rate of 15% prior to 31 December 2007, was fully exempted from PRC income tax for the two years ended 31 December 2005 and entitled to a 50% reduction of PRC income tax for the three years ending 31 December 2008.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC is reduced from 33% to 25%.

Further, the State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa [2007] No. 39) on 26 December 2007 (collectively, the "Implementation Rules"). Under the New Tax Law and the Implementation Rules, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law becoming effective will be subject to transitional tax rates before the new corporate income tax rate of 25% applies. For Jingjing and Jiachenhong, the transitional tax rates are 18%, 20%, 22% and 24% in calendar years ending 31 December 2008, 2009, 2010 and 2011 respectively and the corporate income tax rate of 25% will apply from 1 January 2012 onwards.

Further, under the Implementation Rules, the 50% reduction of PRC income tax granted to Jiachenhong will be grandfathered and will continue to be granted to Jiachenhong until expiry on 31 December 2008. As a result of the New Tax Law and the Implementation Rules, current taxation for Jingjing and Jiachenhong has been accrued based on tax rates of 18% and 9% respectively for the three months ended 31 March 2008.

The rest of the Group's subsidiaries in the PRC were subject to PRC income tax at a rate of 33% prior to 31 December 2007. As a result of the New Tax Law, the income tax rate applicable to these subsidiaries has been reduced from 33% to 25% from 1 January 2008.

(d) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2008 and 2007 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

(e) Cayman Islands Tax

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

9 DIRECTORS' REMUNERATION

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

For the year ended 31 March 2008

	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	—	3,502	20,078	1,129	12	24,721
Ms. JIN Lu	—	1,230	7,000	—	12	8,242
Mr. LU Tian Long	—	650	2,000	—	12	2,662
Ms. ZHENG Ting	—	650	7,078	1,283	12	9,023
Independent non-executive directors						
Prof. CAO Gang	60	—	132	—	—	192
Mr. GAO Zong Ze	60	—	286	—	—	346
Prof. GU Qiao	60	—	100	—	—	160
	180	6,032	36,674	2,412	48	45,346

9 DIRECTORS' REMUNERATION *(Continued)*

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

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(r)(ii) and 36.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: four) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2007: one) individuals are as follows:

	2008	2007
	$'000	$'000
Salaries, allowances and other benefits	**1,664**	1,014
Discretionary bonuses	**9,656**	2,000
Share-based payments	**1,625**	510
Retirement benefits	**24**	12
	12,969	3,536

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emoluments bands		
$3,500,001 to $4,000,000	**—**	1
$4,000,001 to $4,500,000	**1**	—
$8,500,001 to $9,000,000	**1**	—
	2	1

11 DISCONTINUED OPERATION

On 19 December 2007, the Group entered into a sale and purchase agreement for the disposal of its entire equity interest in a subsidiary, Qi Jie Yuan Medicine Holding (HK) Limited, which in turn held 100% equity interests in Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd and Shanghai Baisuihang Pharmaceutical Co., Ltd., to a third party company, China Healthcare Inc. ("CHI") in exchange for a 40% equity interest in CHI and a 5-year unsecured note issued by CHI in the principal amount of GBP24,000,000. The transaction was completed on 31 December 2007. As a result of the transaction, the Group's Natural Herbal Medicines segment has been classified as discontinued operation. Following the completion of the transaction, the Group holds a 40% equity interest in CHI and such interest is recognised as part of interests in associates in the Group's consolidated balance sheet. Further details in relation to this transaction are set out in the Company's circular dated 4 January 2008.

(a) The results of the discontinued operation for the years ended 31 March 2008 and 2007 are as follows:

	2008	2007
	$'000	$'000
Turnover (note 4)	**5,325**	9,940
Cost of sales	**(24,645)**	(33,963)
Gross loss	**(19,320)**	(24,023)
Other revenue (note 5)	**11**	580
Other net loss (note 6)	**(131)**	(1)
Selling expenses	**(14)**	(42)
Administrative expenses	**(6,244)**	(9,466)
Loss before taxation (note 7)	**(25,698)**	(32,952)
Income tax (note 8(b))	**(132)**	(1,149)
Loss for the year	**(25,830)**	(34,101)
Gain on disposal of discontinued operation (note 38(b)), net of tax of $Nil	**124,971**	—
Profit/(loss) for the year from discontinued operation attributable to equity shareholders of the Company	**99,141**	(34,101)

11 DISCONTINUED OPERATION *(Continued)*

(b) The net cash flows of the discontinued operation for the years ended 31 March 2008 and 2007 are as follows:

	2008	2007
	$'000	$'000
Net cash inflow/(outflow) from operating activities	**2,931**	(5,954)
Net cash outflow from investing activities	**(11,978)**	(8,369)
Net cash outflow from financing activities	**—**	(48,309)
Net cash outflow of the discontinued operation	**(9,047)**	(62,632)

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $108,033,000 (2007: profit of $62,451,000) which has been dealt with in the financial statements of the Company.

13 DIVIDEND

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

	2008	2007
	$'000	$'000
Final dividend proposed after the balance sheet date of Nil (2007: 3.1 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

	2008	2007
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.1 (2007: Nil) cents per ordinary share	**47,189**	—

14 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of the Company of $683,744,000 (2007: $223,365,000) divided by the weighted average number of 1,550,824,000 (2007: 1,510,133,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 Shares '000	2007 Shares '000
Issued ordinary shares at the beginning of the year	**1,522,224**	1,276,211
Effect of issue of shares (note 35(a)(i))	**—**	240,356
Effect of shares repurchased and cancelled (note 35(a)(ii))	**(1,547)**	(8,487)
Effect of conversion of convertible bonds (note 35(a)(iii))	**28,905**	2,053
Effect of share options exercised (note 35(a)(iv))	**13**	—
Effect of scrip dividend (note 35(a)(v))	**1,229**	—
Weighted average number of ordinary shares at the end of the year	**1,550,824**	1,510,133

	2008 $'000	2007 $'000
From continuing and discontinued operations		
Profit attributable to equity shareholders	**683,744**	223,365
From continuing operations		
Profit attributable to equity shareholders	**584,603**	257,466
From discontinued operation		
Profit/(loss) attributable to equity shareholders	**99,141**	(34,101)
From continuing and discontinued operations		
Basic earnings per share (HK cents)	**44.1**	14.8
From continuing operations		
Basic earnings per share (HK cents)	**37.7**	17.0
From discontinued operation		
Basic earnings/(loss) per share (HK cents)	**6.4**	(2.2)

14 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of $683,992,000 (2007: $226,793,000) and the weighted average number of 1,612,836,000 (2007: 1,591,741,000) 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)

	2008	2007
	$'000	$'000
From continuing and discontinued operations		
Profit attributable to equity shareholders	**683,744**	223,365
After tax effect of effective interest on liability component of convertible bonds	**1,304**	3,557
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))	**(1,056)**	(129)
Profit attributable to equity shareholders (diluted)	**683,992**	226,793
Attributable to:		
Continuing operations	**584,851**	260,894
Discontinued operation	**99,141**	(34,101)
	683,992	226,793

14 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted earnings/(loss) per share (Continued)

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

	2008	2007
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares at 31 March	**1,550,824**	1,510,133
Effect of conversion of convertible bonds (note 33)	**23,727**	59,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 36(a))	**38,285**	22,608
Weighted average number of ordinary shares (diluted) at 31 March	**1,612,836**	1,591,741
From continuing and discontinued operations		
Diluted earnings per share (HK cents)	**42.4**	14.3
From continuing operations		
Diluted earnings per share (HK cents)	**36.3**	16.4
From discontinued operation		
Diluted earnings/(loss) per share (HK cents)	**6.1**	(2.1)

15 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 cell examination, processing, separation and storage services and application-related services.

(iii) Natural Herbal Medicines segment: research and development and the manufacture and sale of natural herbal medicines.

As disclosed in note 11, the Natural Herbal Medicines segment was discontinued during the year ended 31 March 2008.

	Continuing operations				Discontinued operation					
	Medical Device		Cord Blood Bank		Natural Herbal Medicines		Inter-segment elimination		Consolidated	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Revenue from external customers	**283,338**	267,192	**137,809**	63,942	**5,325**	9,940	**—**	—	**426,472**	341,074
Segment result (note)	**200,940**	190,727	**62,811**	25,142	**(25,709)**	(32,960)	**—**	—	**238,042**	182,909
Unallocated operating income and expenses									**271,571**	39,929
Profit from operations									**509,613**	222,838
Finance costs									**(20,628)**	(10,817)
Gain on disposal of discontinued operation									**124,971**	—
Gain on deemed disposal of partial interests in jointly controlled entities									**55,416**	—
Share of profits less losses of associates and jointly controlled entities									**68,657**	35,597
Income tax									**(24,376)**	(16,967)
Profit after taxation (note)									**713,653**	230,651
Depreciation and amortisation for the year	**10,192**	10,027	**7,778**	5,183	**25,883**	34,271			**43,853**	49,481
Unallocated depreciation and amortisation for the year									**1,345**	201
Total depreciation and amortisation for the year									**45,198**	49,682
Impairment loss on trade and other receivables	**—**	—	**765**	1,031	**—**	—			**765**	1,031
Segment assets	**841,151**	728,507	**796,019**	490,487	**—**	542,412	**—**	(99,022)	**1,637,170**	1,662,384
Interests in associates									**713,743**	33,345
Interests in jointly controlled entities									**657,764**	504,509
Unallocated assets									**1,181,400**	843,800
Total assets									**4,190,077**	3,044,038
Segment liabilities	**29,740**	39,679	**129,549**	49,696	**—**	105,414	**—**	(99,022)	**159,289**	95,767
Unallocated liabilities									**477,824**	225,966
Total liabilities									**637,113**	321,733
Capital expenditure	**7,444**	3,152	**121,880**	2,032	**11,799**	6,432	**—**	—	**141,123**	11,616
Unallocated capital expenditure									**146**	4,487
Total capital expenditure									**141,269**	16,103

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

15 SEGMENT REPORTING *(Continued)*

Business segments (Continued)

Note:

Reconciliation from segment results of continuing and discontinued operations to profit/(loss) for the year:

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment results	**263,751**	215,869	**(25,709)**	(32,960)	**238,042**	182,909
Unallocated operating income and expenses	**271,560**	39,921	**11**	8	**271,571**	39,929
Profit/(loss) from operations	**535,311**	255,790	**(25,698)**	(32,952)	**509,613**	222,838
Finance costs	**(20,628)**	(10,817)	**—**	—	**(20,628)**	(10,817)
Gain on disposal of discontinued operation	**—**	—	**124,971**	—	**124,971**	—
Gain on deemed disposal of partial interests in jointly controlled entities	**55,416**	—	**—**	—	**55,416**	—
Share of profits less losses of associates and jointly controlled entities	**68,657**	35,597	**—**	—	**68,657**	35,597
Income tax	**(24,244)**	(15,818)	**(132)**	(1,149)	**(24,376)**	(16,967)
Profit/(loss) for the year	**614,512**	264,752	**99,141**	(34,101)	**713,653**	230,651

16 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	Interests in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:									
At 1 April 2007	140,823	26,804	47,810	10,932	25,578	95,000	346,947	5,831	352,778
Exchange adjustments	12,547	2,240	4,374	874	1,670	8,084	29,789	501	30,290
Additions	7,772	794	5,025	1,315	4,383	121,980	141,269	—	141,269
Transfers	9,669	—	9,934	—	1,832	(21,791)	(356)	356	—
Acquisition of subsidiary (note 38(a))	—	—	4,135	298	465	—	4,898	—	4,898
Disposal of subsidiaries (note 38(b))	(41,154)	(704)	(17,072)	(3,875)	(20,947)	(15,787)	(99,539)	(1,836)	(101,375)
Disposals	—	—	(409)	(802)	(81)	—	(1,292)	—	(1,292)
At 31 March 2008	129,657	29,134	53,797	8,742	12,900	187,486	421,716	4,852	426,568
Accumulated amortisation and depreciation:									
At 1 April 2007	26,218	10,757	20,659	3,782	17,693	—	79,109	538	79,647
Exchange adjustments	2,835	1,122	1,958	389	1,275	—	7,579	55	7,634
Charge for the year	6,846	3,139	5,571	1,735	3,840	—	21,131	173	21,304
Acquisition of subsidiary (note 38(a))	—	—	394	—	54	—	448	—	448
Disposal of subsidiaries (note 38(b))	(2,697)	(704)	(10,733)	(1,732)	(17,148)	—	(33,014)	(213)	(33,227)
Written back on disposal	—	—	(362)	(415)	(34)	—	(811)	—	(811)
At 31 March 2008	33,202	14,314	17,487	3,759	5,680	—	74,442	553	74,995
Net book value:									
At 31 March 2008	96,455	14,820	36,310	4,983	7,220	187,486	347,274	4,299	351,573

16 FIXED ASSETS *(Continued)*

(a) The Group (Continued)

	Buildings held for own use	Leasehold improvements	Machineries	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total fixed assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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
Transfers	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

16 FIXED ASSETS (Continued)

(a) The Group (Continued)

Notes:

(i) At 31 March 2008, the Group had pledged interests in leasehold land and buildings with an aggregate carrying value of $100,754,000 (2007: $97,733,000), as collateral against certain loans granted to the Group by a bank (see note 31).

(ii) Construction in progress as at 31 March 2008 represents leasehold land and buildings under renovation, machinery under installation and construction of storage facilities for blood stem cells.

(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 year ended 31 March 2007.

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

	2008	2007
	$'000	$'000
Outside Hong Kong		
- under medium-term lease	**100,754**	119,898
Represented by:		
Buildings held for own use	**96,455**	114,605
Interests in leasehold land held for own use under operating leases	**4,299**	5,293
	100,754	119,898

16 FIXED ASSETS *(Continued)*

(b) The Company

	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
At 1 April 2007	3,093	477	1,001	4,571
Additions	—	—	145	145
At 31 March 2008	3,093	477	1,146	4,716
Accumulated depreciation:				
At 1 April 2007	86	79	75	240
Charge for the year	1,031	96	218	1,345
At 31 March 2008	1,117	175	293	1,585
Net book value:				
At 31 March 2008	1,976	302	853	3,131

(Expressed in Hong Kong dollars unless otherwise indicated)

16 FIXED ASSETS *(Continued)*

(b) The Company (Continued)

	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

17 INTANGIBLE ASSETS

	The Group				
	Licences and certificates	**Capitalised development costs**	**Proprietary Chinese medicine formulae**	**Operating rights for cord blood banks**	**Total**
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 April 2007	31,649	17,427	451,507	61,728	562,311
Exchange adjustments	1,735	956	24,755	8,394	35,840
Acquisition of subsidiary (note 38(a))	—	—	—	26,063	26,063
Disposal of subsidiaries (note 38(b))	(33,384)	(18,383)	(476,262)	—	(528,029)
At 31 March 2008	—	—	—	96,185	96,185
Accumulated amortisation:					
At 1 April 2007	5,605	1,234	31,981	6,910	45,730
Exchange adjustments	413	91	2,356	841	3,701
Charge for the year	3,024	666	17,258	2,946	23,894
Disposal of subsidiaries (note 38(b))	(9,042)	(1,991)	(51,595)	—	(62,628)
At 31 March 2008	—	—	—	10,697	10,697
Carrying amount:					
At 31 March 2008	—	—	—	85,488	85,488

17 INTANGIBLE ASSETS *(Continued)*

	The Group				
	Licences and certificates $'000	Capitalised development costs $'000	Proprietary Chinese medicine formulae $'000	Operating rights for cord blood banks $'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

Licences and certificates represent 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 deferring the progression of such illness. The value was being 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® which were amortised on a straight-line basis over their estimated useful life of twenty years.

Proprietary Chinese medicine formulae represent the fair value on acquisition of a Chinese medicine prescription formula as well as production technology of TangHerb®. The value was being amortised on a straight-line basis over an estimated useful life of twenty years.

Licences and certificates, capitalised development costs and proprietary Chinese medicine formulae were disposed of during the year ended 31 March 2008 as part of the disposal of the Natural Herbal Medicines segment.

Operating rights for cord blood banks represent the rights for the provision of blood stem cells storage facilities and ancillary services in Beijing and Guangdong Province, the PRC. The amount is being amortised on a straight-line basis over its estimated useful life of thirty years. The operating rights for cord blood banks in Beijing and Guandong Province, the PRC, have remaining amortisation periods of 25.64 years (2007: 26.64 years) and 29.08 years (2007: Nil), respectively.

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

18 GOODWILL

	The Group	
	2008	2007
	$'000	$'000
Cost:		
At beginning of the year	**74,450**	74,450
Disposal of subsidiaries (note 38(b))	**(7,281)**	—
At end of the year	**67,169**	74,450

Impairment tests for cash-generating units containing goodwill

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

	2008	2007
	$'000	$'000
Medical Device	**506**	506
Cord Blood Bank - Beijing	**66,663**	66,663
Natural Herbal Medicines	**—**	7,281
	67,169	74,450

(Expressed in Hong Kong dollars unless otherwise indicated)

18 GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

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.

Key assumptions used for value-in-use calculations:

	2008	2007
	%	%
Gross margin		
- Medical Device	**70.0**	70.0
- Cord Blood Bank - Beijing	**78.8**	76.0
- Natural Herbal Medicines	**—**	55.0
Growth rate		
- Medical Device	**10.0**	10.0
- Cord Blood Bank - Beijing	**6.2**	7.5
- Natural Herbal Medicines	**—**	24.0
Discount rate		
- Medical Device	**17.6**	11.9
- Cord Blood Bank - Beijing	**19.2**	15.9
- Natural Herbal Medicines	**—**	17.5

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 of goodwill is recognised in the consolidated income statement.

19 INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	$'000	$'000
Unlisted equities, at cost	**3**	1
Amounts due from subsidiaries	**1,021,553**	1,322,524
	1,021,556	1,322,525

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but settlement is not expected within one year of the balance sheet date.

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

		Proportion of ownership interest				
Name of company	**Place of incorporation/ establishment and operations**	**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	50.25%	—	100%	RMB280,000,000	Provision of blood stem cell storage facilities and ancillary services
Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing")#	The PRC	100%	—	100%	US$10,100,000	Manufacture and sale of medical devices
China Bright Group Co. Limited	Hong Kong	100%	100%	—	$13,158	Investment holding
China Cord Blood Services Corporation	Cayman Islands/ Hong Kong	50.25%	—	50.25%	US$1,618,980	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS IN SUBSIDIARIES *(Continued)*

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
China Stem Cells Holdings Limited ("CSC")	Cayman Islands/ Hong Kong	50.25%	—	100%	US$1,618,980	Investment holding
China Stem Cells (South) Co., Ltd.	British Virgin Islands/ Hong Kong	45.23%	—	90%	US$1,000	Investment holding
China Stem Cells (East) Co., Ltd.	British Virgin Islands/ Hong Kong	50.25%	—	100%	US$1	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
Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd. ("Nuoya")#	The PRC	45.23%	—	100%	RMB40,000,000	Provision of blood stem cell storage facilities and ancillary services

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

19 INTERESTS IN SUBSIDIARIES *(Continued)*

As at 1 April 2007, the Group held a 56.5% equity interest in CSC, which in turn held 100% equity interest in Jiachenhong. On 15 May 2007, the Company, CSC and independent subscribers entered into subscription agreements pursuant to which CSC issued a total of 166,980 new ordinary shares to the subscribers ("the placement"). The newly issued shares represented 11.5% of the then issued share capital of CSC immediately before the placement or 10.3% of the enlarged issued share capital of CSC. The subscription price was US$137.74 per share and the total consideration received net of expenses amounted to $178,884,000. The placement was completed on 15 May 2007. Subsequent to the placement, the Group disposed of a total of 6,523 ordinary shares of CSC, at an average price of US$137.74 per share. Total consideration received net of expenses amounted to $7,004,000. These transactions led to a dilution in the Group's shareholding in CSC to 50.25%.

The increase in the Group's share of net assets of CSC resulting from the placement and the gain from the partial disposal totalled $73,328,000 which amount has been credited to other reserve in consolidated equity (see note 35(b)(viii)).

20 INTERESTS IN ASSOCIATES

	The Group	
	2008	2007
	$'000	$'000
Share of net assets	**155,717**	33,345
Goodwill	**146,042**	—
Loan to associate	**275,241**	—
Amounts due from associates	**136,743**	—
	713,743	33,345

Loan to associate is unsecured, interest bearing with an effective interest rate of 9.16% per annum and repayable on 31 December 2012. Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year of the balance sheet date. Loan to and amounts due from associates are neither past due nor impaired.

The following list contains only the particulars of associates 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
China Healthcare Inc.	Incorporated	Cayman Islands	40%	US$1,000	Investment holding

20 INTERESTS IN ASSOCIATES *(Continued)*

Name of associate	Form of business structure	Place of establishment and operation	Proportion of ownership interest by the Group	Issued/ registered capital	Principal activities
Qi Jie Yuan Medicine Holding (HK) Limited	Incorporated	British Virgin Islands/ Hong Kong	27.6%	US$100	Investment holding
Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd.	Incorporated	The PRC	27.6%	RMB20,000,000	Investment holding
Shanghai Baisuihang Pharmaceutical Co., Ltd.	Incorporated	The PRC	27.6%	RMB41,558,000	Research and development, manufacture and sale of natural herbal medicines

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

Summary financial information on associates

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Profit/(loss) $'000
2008					
100 per cent	1,121,884	(727,442)	394,442	589,836	(9,208)
Group's effective interest	440,135	(284,418)	155,717	223,834	(3,683)
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

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008	2007
	$'000	$'000
Share of net assets	**410,311**	167,407
Goodwill	**247,453**	337,102
	657,764	504,509

As at 31 March 2007, the Group held a 50% equity interest in a jointly controlled entity, Beijing Pypo Technology Group Company Limited ("Beijing Pypo"). During the year ended 31 March 2008, the Group established Pypo Digital Company Limited ("Pypo Digital") which in turn established a wholly-owned subsidiary, Pypo Holdings (HK) Company Limited ("Pypo HK"). In connection with the reorganisation of Beijing Pypo, Pypo HK acquired the entire equity interest in Beijing Pypo in exchange for the issue of ordinary shares by Pypo Digital to the then shareholders of Beijing Pypo, in proportion to their respective equity interest in Beijing Pypo. As a result of the reorganisation, the Group held 50% equity interest in Pypo Digital which indirectly held the entire equity interests in Beijing Pypo.

Subsequent to the reorganisation of Beijing Pypo, in November 2007, Pypo Digital allotted new ordinary shares, which represented 33% of the enlarged issued share capital of Pypo Digital, to a third party investor at a consideration of US$90,000,000. The increase in the Group's share of net assets of Pypo Digital resulting from this transaction of $55,416,000 has been recognised as a gain on deemed disposal of partial interests in jointly controlled entities.

In December 2007, the Group established Capital Ally Investments Limited ("Capital Ally") and Capital Ally acquired the 33.5% equity interest in Pypo Digital held by the Group and another 33.5% equity interest from another shareholder of Pypo Digital, in return for the issue of ordinary shares to the Group and the other shareholder such that each of the Group and that shareholder holds a 50% equity interest in Capital Ally.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The following list contains only the particulars of jointly controlled entities which principally affected the results or assets of the Group:

Name of jointly controlled entities	Form of business structure	Place of establishment and operation	Proportion of ownership interest by the Group	Issued/ registered capital	Principal activities
Capital Ally Investments Limited	Incorporated	British Virgin Islands/ Hong Kong	50%	US$10,000	Investment holding
Pypo Digital Company Limited	Incorporated	Cayman Islands/ Hong Kong	33.5%	US$27,270	Investment holding
Pypo Holdings (HK) Company Limited	Incorporated	Hong Kong	33.5%	$1,001	Investment holding
Beijing Pypo Technology Group Company Limited	Incorporated	The PRC	33.5%	RMB700,000,000	Distribution of personal electronic goods

Summary financial information on jointly controlled entities – the Group's effective interest:

	2008 **$'000**	2007 $'000
Non-current assets	**59,506**	83,218
Current assets	**872,921**	497,009
Non-current liabilities	**(199,836)**	(7,777)
Current liabilities	**(322,280)**	(405,043)
Net assets	**410,311**	167,407
Income	**1,469,420**	970,741
Expenses	**(1,397,080)**	(936,641)
Profit for the year	**72,340**	34,100

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group	
	2008	2007
	$'000	$'000
Listed outside Hong Kong, at market value	**297,551**	429,172
Unlisted equity securities, at cost	**112,641**	132,764
	410,192	561,936

Included in unlisted equity securities carried at cost as at 31 March 2007 were equity securities of $78,000,000 in a then unlisted entity which became listed during the year ended 31 March 2008. Such securities are stated at their market value as at 31 March 2008.

23 OTHER FINANCIAL ASSETS

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Non-current trade receivables	**28,122**	11,824	**—**	—
Non-current prepayments	**416,502**	65,183	**399,077**	—
Financial assets at fair value through profit or loss	**37,195**	—	**—**	—
	481,819	77,007	**399,077**	—

(a) Non-current trade receivables

	The Group	
	2008	2007
	$'000	$'000
Non-current trade receivables	**28,474**	11,824
Less: Allowance for doubtful debts (Note)	**(352)**	—
	28,122	11,824

The Group offers its customers various payment terms for provision of blood stem cell storage facilities services. The amount represents instalments receivable from the rendering of blood stem cell examination and processing services, which is stated at amortised cost with an effective interest rate of 3.16% (2007: 3.16%) per annum. The amount receivable within twelve months from the balance sheet date is included under current assets. The Group's credit policy is set out in note 37(a).

23 OTHER FINANCIAL ASSETS *(Continued)*

(a) Non-current trade receivables (Continued)

Note:

Impairment of non-current trade receivables

Impairment losses in respect of non-current trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against non-current trade receivables directly (see note 2(k)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2008	2007
	$'000	$'000
At beginning of the year	**—**	—
Impairment loss recognised	**332**	—
Exchange adjustments	**20**	—
At end of the year	**352**	—

At 31 March 2008, the Group's non-current trade receivables of $352,000 (2007: $Nil) were individually determined to be impaired. The individually impaired receivables related to customers that have defaulted on payments and management assessed that the receivables are not expected to be recovered. Consequently, a specific allowance for doubtful debts of $352,000 (2007: $Nil) was recognised. The Group does not hold any collateral over these balances. The remaining non-current trade receivables are neither past due nor impaired.

(b) Non-current prepayments

Included in non-current prepayments of the Group and the Company as at 31 March 2008 are deposits of $395,621,000 for healthcare projects including the proposed acquisition of a 60% equity interest in an entity, which possesses the management rights to two hospitals in the PRC. On 24 June 2008, the Group executed an agreement in connection with the acquisition (see note 43).

Non-current prepayments of the Group as at 31 March 2007 included $31,297,000 being earnest money paid in connection with the acquisition of a 90% equity interest in Nuoya, which has been applied against the purchase consideration upon completion of the acquisition in May 2007 (see note 38(a)).

Non-current prepayments are neither past due nor impaired.

23 OTHER FINANCIAL ASSETS *(Continued)*

(c) Financial assets at fair value through profit or loss

During the year ended 31 March 2008, the Group acquired a structured deposit issued by a financial institution which has a two-year term and carries interest based on changes in an interest rate index which varies inversely with changes in market interest rates in the United States. The interest that the deposit carries, which is payable upon the maturity of the structured deposit, has a positive correlation with the interest rate index and will be nil should the interest rate index fall below a certain level on the maturity date. The embedded derivative could at least double the deposit's initial rate of return and could also result in a rate of return that is at least twice what otherwise would be the market return for such a deposit, and is therefore considered to be not closely related to the host deposit. The structured deposit is designated as at fair value through profit or loss, and stated at fair value with remeasurements to fair value recognised as other net income. An unrealised gain of $5,995,000 (2007: $Nil) has been credited to profit or loss for the year ended 31 March 2008.

24 OTHER INVESTMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trading securities (at market value)				
- equity securities listed in Hong Kong	**48,990**	—	**60**	—
- equity securities listed outside Hong Kong	**55,230**	6,417	**732**	6,417
	104,220	6,417	**792**	6,417
Financial assets at fair value through profit or loss	**27,731**	—	**27,731**	—
	131,951	6,417	**28,523**	6,417

Financial assets at fair value through profit or loss represent investments in equity linked notes issued by a financial institution which carry interest linked to prices of certain listed equity securities. Each equity linked note has a basket of underlying listed equity securities with the coupons and redemption amount of the note dependent on the worst performing equity securities in the basket. On maturity, if the unit price of the worst performing equity securities is above a certain amount, the note will be redeemed in cash equivalent to the initial investment in the note, otherwise the note will be settled by a certain quantity of the worst performing equity securities in lieu of cash. The embedded equity derivatives are not closely related to the host deposit and the notes are designated as at fair value through profit or loss, and stated at fair value with remeasurements to fair value recognised in other net income. An unrealised loss of $19,068,000 (2007: $Nil) has been charged to profit or loss for the year ended 31 March 2008. The notes will mature within one year from the balance sheet date.

25 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008	2007
	$'000	$'000
Raw materials	**9,087**	3,240
Work in progress	**4,485**	5,040
Finished goods	**35,456**	27,480
	49,028	35,760

Included in finished goods are preservation costs related to cord blood stem cells of $28,159,000 (2007: $22,809,000). 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	
	2008	2007
	$'000	$'000
Carrying amount of inventories sold	**104,804**	83,454

26 TRADE RECEIVABLES

	The Group	
	2008	2007
	$'000	$'000
Trade receivables	**170,328**	174,418
Less: Allowance for doubtful debts (note 26(b))	**(9,087)**	(7,874)
	161,241	166,544

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

26 TRADE RECEIVABLES *(Continued)*

(a) Details of the ageing analysis of trade receivables (net of allowance for doubtful debts) are as follows:

	The Group	
	2008	2007
	$'000	$'000
Within 6 months	**158,577**	145,908
Between 7 and 12 months	**1,400**	19,618
Over one year	**1,264**	1,018
	161,241	166,544

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

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(k)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2008	2007
	$'000	$'000
At beginning of the year	**7,874**	6,518
Impairment loss recognised	**433**	1,031
Exchange adjustments	**780**	325
At end of the year	**9,087**	7,874

At 31 March 2008, the trade receivables of the Group totalling $9,112,000 (2007: $7,897,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and/or have defaulted on payments and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a specific allowance for doubtful debts of $9,087,000 (2007: $7,874,000) was recognised. The Group does not hold any collateral over these balances.

26 TRADE RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	$'000	$'000
Neither past due nor impaired	**137,087**	129,291
Within 6 months	**21,490**	16,617
Between 7 and 12 months	**1,400**	19,618
Over one year	**1,239**	995
	24,129	37,230
	161,216	166,521

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments of the Group at 31 March 2008 is a receivable of $34,987,000 (2007: $74,530,000) from the disposal of available-for-sale equity securities, which is stated at amortised cost with an effective interest rate of 2.80% (2007: 2.80%) per annum.

Other receivables, deposits and prepayments are expected to be recovered within one year, and are neither past due nor impaired.

28 CASH AND BANK BALANCES

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deposits with banks	**213,625**	214,150	**28,278**	147,581
Cash at bank and on hand	**784,122**	474,076	**39,978**	3,892
	997,747	688,226	**68,256**	151,473

29 TRADE PAYABLES

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

	The Group	
	2008	2007
	$'000	$'000
Due within 3 months or on demand	**25,467**	31,399

30 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Other payables and accruals	**75,283**	25,871	**53,788**	11,034
Deferred income	**17,071**	8,799	**—**	—
Derivative financial instruments	**66,021**	2,546	**—**	—
	158,375	37,216	**53,788**	11,034

In connection with the Group's investment in certain available-for-sale equity securities, the Group entered into a contract with a third party intermediary under which the intermediary would be entitled to 50% of the gain arising from the future disposal of the available-for-sale equity securities. The Group recognised the fair value of the contract of $40,533,000 (2007: $Nil) as derivative financial instruments.

The Group has also entered into derivative financial instruments under which the Group would sell a fixed quantity of available-for-sale equity securities at designated contract prices on a number of specified future dates, if the market price of the available-for-sale equity securities on each of such dates is above a certain pre-agreed price. The outstanding contracts as at 31 March 2008 may require the Group to sell available-for-sale equity securities with a carrying value of up to $78,801,000 (2007: $103,469,000). All outstanding derivative financial instruments as at 31 March 2008 and 2007 mature within one year from the balance sheet date. Realised and unrealised losses on such derivative financial instruments of $104,247,000 (2007: $10,777,000) have been charged to profit or loss. Unrealised losses on outstanding contracts as at 31 March 2008 of $25,488,000 (2007: $2,546,000) are recognised as derivative financial instruments and included in other payables and accruals in the consolidated balance sheet. In connection with such derivative contracts, available-for-sale equity securities with a carrying value of $78,801,000 as at 31 March 2008 (2007: $103,469,000) have been pledged to the counterparties as collateral.

31 BANK LOANS

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

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**9,000**	110,122	**9,000**	9,000
After 2 years but within 5 years	**342,815**	—	**232,024**	—
	351,815	110,122	**241,024**	9,000

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

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Secured	**110,791**	101,122	**—**	—
Unsecured	**241,024**	9,000	**241,024**	9,000
	351,815	110,122	**241,024**	9,000

Bank loan of $110,791,000 (2007: $101,122,000) is secured by interests in leasehold land and buildings as detailed in note 16(a).

Included in non-current bank loans of the Group and the Company is a loan of $232,024,000 (2007: $Nil) which is unsecured, has a five-year term and carries interest based on changes in an interest rate index. The loan contains an embedded interest rate collar such that interest on the loan would lie within the range of 0% to 13% per annum. The embedded derivatives are considered closely related to the host debt contract. The loan is therefore measured at amortised cost.

Unsecured bank loan facilities of the Group and the Company of $232,024,000 (2007: $Nil) are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 37(b). As at 31 March 2008, none of the covenants relating to drawn down facilities had been breached.

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2008	2007
	$'000	$'000
PRC income tax payable	**6,064**	5,637

(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/ amortisation allowance in excess of the related depreciation/ amortisation $'000	**Future benefit of tax losses $'000**	**Allowance for doubtful debts $'000**	**Others $'000**	**Total $'000**
Deferred tax arising from:					
At 1 April 2006	—	(9,397)	—	—	(9,397)
(Credited)/charged to income statement (note 8)	(2,955)	3,212	—	892	1,149
Exchange adjustments	(74)	(352)	—	22	(404)
At 31 March 2007	(3,029)	(6,537)	—	914	(8,652)
At 1 April 2007	(3,029)	(6,537)	—	914	(8,652)
Acquisition of subsidiary (note 38(a))	—	(272)	—	(456)	(728)
(Credited)/charged to income statement (note 8)	(3,704)	1,165	(1,802)	58	(4,283)
Exchange adjustments	(381)	(336)	(110)	19	(808)
Disposal of subsidiaries (note 38(b))	3,629	5,980	—	(620)	8,989
At 31 March 2008	(3,485)	—	(1,912)	(85)	(5,482)

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $18,069,000 (2007: $32,765,000) and deductible temporary differences of $3,871,000 (2007: $25,124,000) 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. The cumulative tax losses do not expire under the current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 March 2008, temporary differences relating to the undistributed profits of subsidiaries amounted to $6,788,000 (2007: $Nil). Deferred tax liabilities of $354,000 (2007: $Nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

33 CONVERTIBLE BONDS

	The Group and the Company	
	2008	2007
	$'000	$'000
Convertible bonds	—	98,836

As at 31 March 2007, the principal amount of outstanding convertible bonds was $100,000,000. The convertible bonds bore interest at the rate of 1% per annum and matured on 5 September 2007. During the year ended 31 March 2008, convertible bonds with a principal amount of $100,000,000 (2007: $16,000,000) were converted into 52,632,000 (2007: 8,421,000) ordinary shares of $0.1 each (note 35(a)(iii)), at a conversion price of $1.9 per share in accordance with the terms of the convertible bonds.

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

34 DEFERRED INCOME

Deferred income represents prepaid cord blood examination, processing and storage fees received from customers for which the related services are expected to be rendered after more than one year of the balance sheet date.

35 CAPITAL AND RESERVES

(a) Share capital

	Note	2008 No. of shares ('000)	2008 $'000	2007 No. of shares ('000)	2007 $'000
Authorised:					
Ordinary shares of $0.1 each		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At beginning of the year		**1,522,224**	**152,222**	1,276,211	127,621
Issue of shares	(i)	**—**	**—**	252,824	25,282
Shares repurchased and cancelled	(ii)	**(33,852)**	**(3,385)**	(15,232)	(1,523)
Issue of shares upon conversion of convertible bonds	(iii)	**52,632**	**5,263**	8,421	842
Issue of shares upon exercise of share options	(iv)	**100**	**10**	—	—
Issue of shares for scrip dividend	(v)	**2,418**	**242**	—	—
At end of the year		**1,543,522**	**154,352**	1,522,224	152,222

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 issuance 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 ended 31 March 2008, 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 2007	208	3.01	2.62	553
March 2008	33,644	3.00	2.25	92,176
	33,852			92,729

During the year ended 31 March 2007, a total of 15,232,000 shares were repurchased at an aggregate price paid of $31,068,000 which includes related expenses of $121,000.

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 $3,385,000 (2007: $1,523,000) was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $89,591,000 (2007: $29,545,000), including related expenses of $247,000 (2007: $121,000) was charged to the share premium account.

35 CAPITAL AND RESERVES *(Continued)*

(a) Share capital *(Continued)*

Notes: *(Continued)*

(iii) Issue of shares upon conversion of convertible bonds

During the year ended 31 March 2008, 52,632,000 (2007: 8,421,000) ordinary shares of $0.1 each were issued upon the conversion of convertible bonds. Following the conversion, an amount of $6,740,000 (2007: $1,079,000) has been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 2(n), and the share capital and share premium accounts of the Company have been increased by $5,263,000 (2007: $842,000) and $101,205,000 (2007: $16,113,000) respectively.

(iv) Shares issued under share option scheme

During the year ended 31 March 2008, options were exercised to subscribe for 100,000 ordinary shares of $0.1 each at a consideration of $160,000 of which $10,000 was credited to share capital and the balance of $150,000 was credited to the share premium account. An amount of $10,000 has also been transferred from capital reserve to the share premium account in accordance with the policy set out in note 2(r)(ii).

(v) Issue of shares for scrip dividend

During the year ended 31 March 2008, 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 2007 final dividend. On 28 September 2007, 2,418,000 ordinary shares of $0.1 each were issued and allotted to the electing shareholders and credited as fully paid at the issue price of $3.4865 per share.

35 CAPITAL AND RESERVES *(Continued)*

(b) Reserves

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Share premium	**1,018,875**	998,913	**1,018,875**	998,913
Capital redemption reserve	**4,908**	1,523	**4,908**	1,523
Capital reserve	**13,388**	17,288	**10,165**	16,214
Merger reserve	**54,193**	54,193	**—**	—
Exchange reserve	**207,126**	98,312	**—**	—
Surplus reserve	**78,828**	61,233	**—**	—
Fair value reserve	**157,906**	322,051	**—**	—
Other reserve	**(4,670)**	(173,998)	**—**	—
Retained profits	**1,547,992**	1,028,417	**41,274**	199,881
	3,078,546	2,407,932	**1,075,222**	1,216,531

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 Group and the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii); and

— the value of the equity component of outstanding convertible bonds issued by the Company recognised as at 31 March 2007 in accordance with the accounting policy adopted for convertible bonds in note 2(n).

(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 policies set out in note 2(v).

(vi) Surplus reserve

According to the relevant rules and regulations in the PRC, Jingjing, Jiachenhong and Nuoya 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 or partial disposal of subsidiary where the Group's interest in a subsidiary is decreased without losing control.

In connection with the disposal of subsidiaries (see notes 11 and 38(b)), other reserve of $96,000,000 (2007: $Nil), which relates to purchase of minority interests in such subsidiaries in prior years, has been transferred to retained profits during the year ended 31 March 2008.

(c) Distributability of reserves

At 31 March 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $1,060,149,000 (2007: $1,198,794,000). The directors do not recommend a final dividend for the year ended 31 March 2008 (2007: 3.1 cents per ordinary share).

35 CAPITAL AND RESERVES *(Continued)*

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose the Group defines debt as total interest-bearing loans and borrowings. Capital comprises all components of equity.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a stable debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-capital ratios at 31 March 2008 and 2007 are as follows:

		The Group		**The Company**	
	Note	**2008**	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Bank loans	31	**351,815**	110,122	**241,024**	9,000
Convertible bonds	33	**—**	98,836	**—**	98,836
Total debt		**351,815**	208,958	**241,024**	107,836
Total equity		**3,552,964**	2,722,305	**1,229,574**	1,368,753
Debt-to-capital ratio		**9.90%**	7.68%	**19.60%**	7.88%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

36 SHARE OPTIONS

(a) Share option schemes of the Company

(i) The principal terms of the share option schemes 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 "Current Scheme" and, together with the 2002 Scheme, the "Schemes") and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, a total of 14,270,000 share options granted under the 2002 Scheme which remained outstanding as at 31 March 2008 shall continue to be exercisable subject to the provisions of the 2002 Scheme and the provisions of Chapter 23 of the Listing Rules. The Current Scheme shall be valid and effective until 29 March 2015.

(2) The purpose of the 2002 Scheme is to recognise the contribution of full-time employees of the Company or any subsidiary and executive and independent non-executive directors of the Company or any subsidiary (the "2002 Participants") by granting share options to them as incentives or rewards.

The purpose of the Current 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 "Current Participants" and, together with the 2002 Participants, 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 granted under the 2002 Scheme and the Current Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at 30 March 2005, the date the Current Scheme was adopted. Pursuant to the Schemes, the total number of shares available for issue in respect thereof is 120,432,490 ordinary shares, representing approximately 7.8% 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 Schemes must not exceed 30% of the shares in issue from time to time.

(4) Pursuant to each of the 2002 Scheme and the Current 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 2002 Scheme, a share option may be exercised at any time during a period notified by the Board to the grantee provided that such period shall not commence earlier than 27 December 2002 and shall not be longer than 10 years from the date of offer.

Pursuant to the Current 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 each of the 2002 Scheme and the Current 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 Schemes and the Listing Rules. Save for this, there are 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

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

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

(7) Pursuant to each of the 2002 Scheme and the Current 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.

(8) Pursuant to the 2002 Scheme and the Current 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.

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

	Exercise price $	Number of share options	Vesting conditions	Contractual life of share options
Share options granted to directors:				
- on 4 March 2005 ("Option 1")	1.60	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	- 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	- immediately 3 months after the date of grant	Expire at the close of business on 28 February 2015
		77,576,245		

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

36 SHARE OPTIONS *(Continued)*

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

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

	2008		2007	
	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**	1.73	77,576
Exercised during the year	**1.60**	**(100)**	—	—
Outstanding at the end of the year	**1.73**	**77,476**	1.73	77,576
Exercisable at the end of the year	**1.73**	**77,476**	1.72	52,294

No share options lapsed or were cancelled during the years ended 31 March 2008 and 2007. The weighted average share price at the date of exercise for share options exercised during the year was $2.92 (2007: not applicable).

The options outstanding at 31 March 2008 had an exercise price of $1.60 or $1.76 (2007: $1.60 or $1.76) and a weighted average remaining contractual life of 6.93 years (2007: 7.93 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS *(Continued)*

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

(iv) 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 share 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%
Share 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 share option gives the holder the right to subscribe for one share of CSC. The CSC Scheme is valid and effective for a period of ten years ending on 21 September 2016.

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

	Exercise price $	Number of share options	Vesting conditions	Contractual life of share options
Share 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
Share 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:

	2008		2007	
	Weighted average exercise price $	**Number of share options '000**	Weighted average exercise price $	Number of share options '000
Outstanding at the beginning of the year	**450**	**100**	—	—
Granted during the year	**—**	**—**	450	100
Outstanding at end of the year	**450**	**100**	450	100
Exercisable at the end of the year	**450**	**100**	450	30

No share options were exercised, cancelled or lapsed during the years ended 31 March 2008 and 2007. The share options outstanding at 31 March 2008 had a weighted average remaining contractual life of 7.42 years (2007: 8.42 years).

(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 share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes pricing model.

Fair value at measurement date	$61.65
Share price	$450.00
Exercise price	$450.00
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes pricing model)	34.66% - 40.21%
Share 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 Group is also exposed to equity price risk arising from its equity investments in other entities, certain financial assets at fair value through profit or loss and derivative financial instruments.

These 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 and amounts due from associates. 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. Status of the receivables is closely monitored to minimise any credit risk associated with these receivables. 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, a regular review is carried out and follow up actions are taken on overdue amounts to minimise the Group's exposure to credit risk. Normally, the Group does not hold any collateral over trade receivables. For amounts due from associates, the management considers credit risk to be insignificant as the counterparties have strong financial positions. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk.

At the balance sheet date, the Group has a certain concentration of credit risk as 54% (2007: 43%) and 83% (2007: 93%) 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, including derivative financial instruments, in the balance sheet after deducting any impairment allowance. Except for the financial guarantees disclosed in note 40, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 40.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in notes 23(a) and 26.

37 FINANCIAL INSTRUMENTS *(Continued)*

(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.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group	2008						2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade payables	25,467	25,467	25,467	–	–	–	31,399	31,399	31,399	–	–	–
Other payables and accruals	75,283	75,283	75,283	–	–	–	25,871	25,871	25,871	–	–	–
Bank loans	351,815	437,781	31,527	22,475	383,779	–	110,122	112,975	112,975	–	–	–
Convertible bonds	–	–	–	–	–	–	98,836	100,632	100,632	–	–	–
Other non-current liabilities	15,203	15,203	–	937	2,609	11,657	3,160	3,160	–	218	643	2,299
	467,768	553,734	132,277	23,412	386,388	11,657	269,388	274,037	270,877	218	643	2,299

The Company	2008						2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Other payables and accruals	53,788	53,788	53,788	–	–	–	11,034	11,034	11,034	–	–	–
Bank loans	241,024	306,629	23,251	14,199	269,179	–	9,000	9,042	9,042	–	–	–
Convertible bonds	–	–	–	–	–	–	98,836	100,632	100,632	–	–	–
	294,812	360,417	77,039	14,199	269,179	–	118,870	120,708	120,708	–	–	–

As disclosed in note 30, the Group is obliged to pay to an intermediary 50% of the gain arising from the future disposal of certain available-for-sale equity securities. The Group's obligations under this derivative financial instrument are not included in the above table as the amount payable depends on the proceeds from the future disposal of available-for-sale equity securities and the instrument has no fixed maturity.

37 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing loan to associate, receivables, deposits with banks and loans. Instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group and the Company at the balance sheet date:

	The Group				The Company			
	2008		2007		**2008**		2007	
	Effective interest rate		Effective interest rate		**Effective interest rate**		Effective interest rate	
	%	**$'000**	%	$'000	**%**	**$'000**	%	$'000
Fixed rate assets/ (borrowings):								
Loan to associate	**9.16**	**275,241**	—	—	**—**	**—**	—	—
Interest bearing trade receivables	**3.16**	**31,377**	3.16	12,420	**—**	**—**	—	—
Interest bearing other receivables	**2.80**	**34,987**	2.80	74,530	**—**	**—**	—	—
Deposits with banks	**2.26**	**213,625**	5.03	214,150	**1.25**	**28,278**	4.97	147,581
Bank loans	**—**	**—**	5.97	(101,122)	**—**	**—**	—	—
Convertible bonds	**—**	**—**	3.40	(98,836)	**—**	**—**	3.40	(98,836)
		555,230		101,142		**28,278**		48,745
Variable rate assets/ (borrowings):								
Financial assets at fair value through profit or loss	**1.40**	**64,926**	—	—	**—**	**27,731**	—	—
Cash at bank and on hand	**0.69**	**784,122**	1.23	474,076	**0.36**	**39,978**	1.59	3,892
Bank loans	**6.75**	**(351,815)**	5.20	(9,000)	**6.42**	**(241,024)**	5.20	(9,000)
		497,233		465,076		**(173,315)**		(5,108)

37 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates at 31 March 2008, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $4,370,000 (2007: $3,961,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2007.

37 FINANCIAL INSTRUMENTS *(Continued)*

(d) 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 the United States Dollars ("USD"). With the natural hedging of the revenue and costs denominated in Chinese Renminbi Yuan, the Group's foreign exchange exposure is considered to be insignificant.

The Group is exposed to currency risk through certain investments, receivables and bank deposits which are denominated in USD and British Pounds Sterling ("GBP"). As HKD is pegged to USD, the Company does not expect any significant movements in the USD/HKD exchange rate.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

The Group	**2008**				2007	
	United States Dollars '000	**Chinese Renminbi Yuan '000**	**British Pounds Sterling '000**	**Australian Dollars '000**	United States Dollars '000	Chinese Renminbi Yuan '000
Loan to associate	**—**	**—**	**17,743**	**—**	—	—
Available-for-sale equity securities	**47,218**	**—**	**—**	**5,865**	72,043	—
Other financial assets	**4,769**	**—**	**—**	**—**	—	30,949
Other investments	**10,636**	**—**	**—**	**—**	823	—
Other receivables, deposits and prepayments	**5,168**	**—**	**—**	**—**	9,647	—
Cash and bank balances	**35,377**	**687**	**—**	**62**	39,498	1,699
Other payables and accruals	**(8,464)**	**—**	**—**	**—**	(336)	—
Bank loans	**(29,747)**	**—**	**—**	**—**	—	—
Overall net exposure	**64,957**	**687**	**17,743**	**5,927**	121,675	32,648

The Company	**2008**		2007	
	United States Dollars '000	**Chinese Renminbi Yuan '000**	United States Dollars '000	Chinese Renminbi Yuan '000
Other investments	**3,649**	**—**	823	—
Cash and bank balances	**8,120**	**687**	18,025	1,699
Other payables and accruals	**—**	**—**	(10)	—
Bank loans	**(29,747)**	**—**	—	—
Overall net exposure	**(17,978)**	**687**	18,838	1,699

37 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008			2007		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits $'000**	**Effect on other components of equity $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Chinese Renminbi Yuan	**5%**	**38**	**—**	10%	3,301	—
	(5%)	**(38)**	**—**	(10%)	(3,301)	—
British Pounds Sterling	**10%**	**27,524**	**—**	10%	—	—
	(10%)	**(27,524)**	**—**	(10%)	—	—
Australian Dollars	**5%**	**22**	**2,095**	5%	—	—
	(5%)	**(22)**	**(2,095)**	(5%)	—	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis has been performed on the same basis for 2007.

37 FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 24) and available-for-sale equity securities (see note 22). Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group has also invested in equity linked notes whose value is exposed to price changes of certain listed equity securities (see note 24) and has outstanding derivative financial instruments with certain of the Group's listed available-for-sale equity securities as the underlying asset (see note 30).

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

It is estimated that an increase/decrease of 10% in the fair value of the Group's investments in equity securities and the underlying equity securities of the Group's derivative financial instruments at 31 March 2008, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $6,593,000 (2007: $387,000), and the Group's other components of equity by approximately $29,755,000 (2007: $42,917,000).

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of equity securities had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the fair value of the equity securities, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the fair value of the equity securities over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2007.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007 except as follows:

(i) Amounts due from subsidiaries and associates of the Group and/or 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 $112,641,000 (2007: $132,764,000) 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.

37 FINANCIAL INSTRUMENTS *(Continued)*

(g) 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 ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiary

On 8 May 2007, a 90% owned subsidiary of the Group completed the acquisition of the entire equity interest in Nuoya, which has been granted the right to operate cord blood banks in the Guangdong Province, the PRC, at a total consideration, including direct expenses, of $31,297,000, satisfied in cash. On the date of acquisition, Nuoya has not yet commenced commercial operation and lacked several factors required to generate a revenue stream, including a sales and marketing team and collaboration with hospitals to gain access to subscribers, and strategic management processes for the operation of a commercial cord blood bank. As a result, the management considers that Nuoya did not constitute a business on the acquisition date and the acquisition is treated as an acquisition of assets and liabilities.

The following table summarises the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Carrying values prior to purchase $'000	Fair value adjustments $'000	Carrying values upon purchase $'000
Property, plant and equipment	6,739	(2,289)	4,450
Intangible assets	—	26,063	26,063
Deferred tax assets	728	—	728
Inventories	13,910	(10,557)	3,353
Other receivables, deposits and prepayments	107	—	107
Cash and bank balances	525	—	525
Total assets acquired	22,009	13,217	35,226
Other payables and accruals	(3,929)	—	(3,929)
Net assets acquired	18,080	13,217	31,297
Total purchase consideration, satisfied by cash paid during the year ended 31 March 2007 (note 23(b))			31,297
Cash and cash equivalents acquired in respect of the acquisition for the year ended 31 March 2008			525

38 ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

During the year ended 31 March 2008, the Group disposed of its entire equity interest in a subsidiary, Qi Jie Yuan Medicine Holding (HK) Limited, which in turn held 100% equity interests in Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd. and Shanghai Baisuihang Pharmaceutical Co., Ltd., to a third party company, CHI, in exchange for a 40% equity interest in CHI and a 5-year unsecured note issued by CHI, in the principal amount of GBP24,000,000.

The disposal had the following effect on the Group's assets and liabilities:

	Note	**2008** **$'000**
Net assets disposed of		
Property, plant and equipment	16(a)	**66,525**
Interests in leasehold land held for own use under operating leases	16(a)	**1,623**
Intangible assets	17	**465,401**
Goodwill	18	**7,281**
Deferred tax assets	32(b)	**8,989**
Inventories		**1,934**
Trade receivables		**10,735**
Other receivables, deposits and prepayments		**1,849**
Cash and bank balances		**2,283**
Trade payables		**(1,717)**
Other payables and accruals		**(7,826)**
		557,077
Release of reserves		**(32,766)**
Gain on disposal of subsidiaries	11	**124,971**
Interest in associates recognised upon disposal of subsidiaries		**649,282**
Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash and cash equivalents disposed of		**(2,283)**

39 COMMITMENTS

(a) *Capital commitments outstanding at 31 March 2008 not provided for in the financial statements were as follows:*

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Contracted for	**52,174**	57,992	**4,635**	—

(b) *As at 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year	**14,137**	6,937	**7,932**	5,399
After 1 year but within 5 years	**23,283**	11,562	**6,505**	10,081
After 5 years	**61,837**	—	**—**	—
	99,257	18,499	**14,437**	15,480

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to twenty years, with an option to renew the leases upon expiry 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 16(a)(iv).

(c) *Other commitments*

On 1 February 2008, the Group contributed US$3,000,000, equivalent to $23,400,000 to an unlisted private equity fund and the Group classified the investment as available-for-sale equity securities as at 31 March 2008. At 31 March 2008, the Group is committed to contribute a further US$17,000,000, equivalent to $132,600,000, as further investments in the fund.

40 CONTINGENT LIABILITIES

As at 31 March 2008, a subsidiary of the Company has issued guarantees to banks in respect of banking facilities granted to a jointly controlled entity which will expire within one year. Under the guarantees, the subsidiary is liable for the borrowings of the jointly controlled entity under such facilities from the banks which are 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 facilities drawn down by the jointly controlled entity of $360,071,000 (2007: $182,020,000).

The Group has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price was $Nil.

41 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 20% 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.

42 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the year, the Group has made a loan to an associate in connection with the disposal of subsidiaries (see notes 11 and 20). The loan was carried at amortised cost of $275,241,000 (2007: $Nil) as at 31 March 2008. Interest income of $6,162,000 (2007: $Nil) has been recognised during the year ended 31 March 2008.

Except for interest income from loan to associate and the financial guarantees granted for a jointly controlled entity as disclosed in note 40, there were no material transactions with related companies during the years ended 31 March 2008 and 2007.

(b) Key management personnel remuneration

Key management personnel remuneration represents amounts paid to the Company's directors as disclosed in note 9 and the highest paid employees as disclosed in note 10.

43 NON-ADJUSTING POST BALANCE SHEET EVENT

On 24 June 2008, the Group entered into an agreement for the acquisition of a 60% equity interest in an entity which possesses the management rights to two hospitals in the PRC. Total consideration for the acquisition is $830,000,000 to be satisfied in cash. During the year ended 31 March 2008, the Group has paid a portion of the consideration for the acquisition (see note 23(b)) and the remaining consideration is expected to be satisfied from the Group's internal resources. Further details in relation to this acquisition are set out in the Company's announcement dated 24 June 2008. The acquisition has not yet been completed up to the date of this annual report.

44 COMPARATIVE FIGURES

As a result of the discontinued operation and the adoption of HKFRS 7, *Financial instruments: Disclosures*, and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted or re-classified to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in notes 3 and 11.

45 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 18, 36 and 37(g) 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 and amortisation

Property, plant and equipment and intangible assets are depreciated/amortised 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/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation 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 32(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.

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

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 2008 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, HKFRS 8, *Operating segments*, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

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

RESULTS

	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	**Year ended 31 March 2008 HK$'000**
Turnover	174,595	238,991	280,578	331,134	**421,147**
Profit from operations	93,225	130,758	97,405	255,790	**535,311**
Finance costs	(754)	(8,399)	(12,431)	(10,817)	**(20,628)**
Gain on deemed disposal of interests in an associate and jointly controlled entities	—	—	116,571	—	**55,416**
Gain on partial disposal of an associate	—	—	322,218	—	**—**
Share of profits less losses of associates and jointly controlled entities	13,702	26,957	39,975	35,597	**68,657**
Profit before taxation	106,173	149,316	563,738	280,570	**638,756**
Income tax	(2,232)	(10,658)	(2,466)	(15,818)	**(24,244)**
Profit for the year from continuing operations	103,941	138,658	561,272	264,752	**614,512**
Discontinued operation					
(Loss)/profit for the year from discontinued operation	—	—	—	(34,101)	**99,141**
Profit for the year	103,941	138,658	561,272	230,651	**713,653**
Attributable to:					
Equity shareholders of the Company	104,431	138,263	563,824	223,365	**683,744**
Minority interests	(490)	395	(2,552)	7,286	**29,909**
Profit for the year	103,941	138,658	561,272	230,651	**713,653**

ASSETS AND LIABILITIES

	As at 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Fixed assets	295,871	344,934	303,624	273,131	**351,573**
Intangible assets	56,802	521,010	523,845	516,581	**85,488**
Goodwill	70,869	74,450	74,450	74,450	**67,169**
Interests in associates	53,237	79,964	30,395	33,345	**713,743**
Interests in jointly controlled entities	—	—	—	504,509	**657,764**
Available-for-sale equity securities	—	—	635,304	561,936	**410,192**
Deferred tax assets	—	—	9,397	8,652	**5,482**
Other non-current assets	40,000	129,038	61,316	77,007	**481,819**
	516,779	1,149,396	1,638,331	2,049,611	**2,773,230**
Current assets	324,891	340,906	888,482	994,427	**1,416,847**
Total assets	841,670	1,490,302	2,526,813	3,044,038	**4,190,077**
Current liabilities	(87,880)	(175,696)	(197,789)	(283,210)	**(198,906)**
Total assets less current liabilities	753,790	1,314,606	2,329,024	2,760,828	**3,991,171**
Non-current liabilities	(2,001)	(308,122)	(223,977)	(38,523)	**(438,207)**
Net assets	751,789	1,006,484	2,105,047	2,722,305	**3,552,964**
Attributable to:					
Equity shareholders of the Company	707,492	956,141	2,055,998	2,560,154	**3,232,898**
Minority interests	44,297	50,343	49,049	162,151	**320,066**
Total equity	751,789	1,006,484	2,105,047	2,722,305	**3,552,964**

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 2004 have only been restated to the extent that the new accounting standards are adopted retrospectively.

2. Comparative figures for 2007 have been re-classified as a result of the discontinued operation to conform with the presentation for 2008. No re-classification was made for 2006 and prior years.

Glossary

Terms used	Brief description
General	
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.
HKFRSs	Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.
Jointly Controlled 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.
PRC/China	The People's Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan.
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	An entity 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.

Medical Device Segment

Autologous Blood Recovery System	A hi-tech medical device that collects, filtrates, separates, cleanses, and re-infuses a patient's own blood lost during an accident or operation, replacing traditional 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

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.

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

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Hong Kong

Stock Code

8180.HK

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

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

Remuneration Committee Members

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

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
Deutsche Bank AG
Sumitomo Mitsui Banking Corporation
Credit Suisse
Goldman Sachs (Asia) L.L.C.
EFG Bank
CITIC Ka Wah Bank Limited
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