THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in Golden Meditech Company Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is not being issued in the United States of America and is not for publication or distribution in the United States. This circular does not contain or constitute an offer to sell or a solicitation of any offer to buy securities in the United States. The securities referred to herein may not be offered or sold in the United States or to US persons unless the securities are registered under the US Securities Act of 1933, as amended (the "Securities Act"), or an exemption from the registration requirements of the Securities Act is available.

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)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED SPIN-OFF AND DISPOSAL OF CCBS ACQUISITION OF PANTHEON CAYMAN'S ORDINARY SHARES (2) PROPOSED WAIVER OF ASSURED ENTITLEMENTS AND (3) TERMINATION OF EXISTING SHARE OPTION SCHEME OF A SUBSIDIARY

Independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A letter from the Board (as defined in this circular) is set out on pages 5 to 28 of this circular. A letter from the Independent Board Committee (as defined in this circular) containing its advice and recommendation to the Independent Shareholders and the Minority Shareholders (as defined in this circular) is set out on pages 29 to 30 of this circular. A letter from First Shanghai (as defined in this circular) to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders is set out on pages 31 to 47 of this circular.

A notice convening an extraordinary general meeting of the Company ("EGM") to be held at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 15 December 2008 is set out on pages N-1 to N-3 of this circular. A proxy form is also enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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

24 November 2008

CONTENTS

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

"Agreement"	the conditional agreement and plan of merger, conversion and share exchange dated 3 November 2008 entered into between the Company, Pantheon, Pantheon Arizona, CCBS and the CCBS Selling Shareholders
"associate"	has the meaning ascribed to it under the GEM Listing Rules
"Beijing Jiachenhong"	Beijing Jiachenhong Biological Technologies Co., Ltd.
"Beijing Jingjing"	Beijing Jingjing Medical Equipment Co., Ltd.
"Bio Garden"	Bio Garden Inc., a company incorporated in the BVI
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CCBS"	China Cord Blood Services Corporation, a company incorporated under the laws of the Cayman Islands, currently indirectly held as to approximately 50.25% by the Company
"CCBS Group"	CCBS and its subsidiaries
"CCBS Selling Shareholders"	the shareholders of CCBS who elected to participate in the Proposed Transaction (including GM Stem Cells and Jayhawk) by entering into the Agreement and such remaining shareholders of CCBS who elected to participate in the Proposed Transaction between 4 November 2008 and 14 November 2008
"Company"	Golden Meditech Company Limited, an exempted company incorporated in the Cayman Islands, the issued Shares of which are listed on GEM
"Completion"	completion of the Proposed Transaction
"Conditions"	all conditions precedent to Completion, details of which are set out in the paragraph headed "Conditions" under the section headed "Principal Terms of the Agreement" in this circular
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"CSC"	China Stem Cells Holdings Limited, a wholly owned subsidiary of CCBS, which was incorporated with limited liability in the Cayman Islands

"CSC Scheme"	CSC's existing share option scheme in the form adopted by the Shareholders on 21 September 2006 or any amended form
"Director(s)"	the director(s) of the Company
"EGM"	extraordinary general meeting of the Company convened to be held at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 15 December 2008 by the notice of meeting set out on pages N-1 to N-3 of this circular or any adjournment of that meeting
"Enlarged Group"	the Group and Pantheon Cayman, assuming the Group purchases Pantheon's common shares pursuant to the Agreement to the extent that the Group holds over 50% equity interest in Pantheon Cayman upon Completion and Pantheon Cayman becomes a subsidiary of the Group
"First Shanghai"	First Shanghai Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GM Stem Cells"	Golden Meditech Stem Cells (BVI) Company Limited, a wholly owned subsidiary of the Company, which was incorporated with limited liability in BVI
"Group"	the Company and its subsidiaries from time to time and a "member of the Group" shall be construed accordingly
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"Independent Board Committee"	the independent committee of the Board comprising Professor CAO Gang, Mr. GAO Zong Ze and Professor GU Qiao, being all the independent non-executive directors of the Company, established by the Board for the purpose of advising the Independent Shareholders on the Proposed Transaction, the Proposed Spin-off and the Minority Shareholders in respect of the Proposed Waiver
"Independent Shareholders"	Shareholders other than Jayhawk and its associates

"Independent Third Parties"	a party which is independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules)
"Jayhawk"	Jayhawk China Fund (Cayman), Ltd., which was incorporated with limited liability in the Cayman Islands
"Latest Practicable Date"	21 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Minority Shareholders"	Shareholders who are neither Directors nor substantial Shareholders
"Pantheon"	Pantheon China Acquisition Corp., which was incorporated with limited liability in the State of Delaware in the United States
"Pantheon Arizona"	Pantheon Arizona Corp., which was incorporated with limited liability in the State of Arizona in the United States
"Pantheon Cayman"	a Cayman Islands exempted company to be formed for the purpose of conversion of Pantheon Arizona
"Pantheon Cayman Scheme"	the share option scheme of Pantheon Cayman to be adopted by its board of directors of Pantheon Cayman immediately after the Completion
"PN 3"	Practice Note 3 of the GEM Listing Rules
"PRC" or "China"	the People's Republic of China excluding for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Transaction"	the transactions contemplated under the Agreement
"Proposed Spin-off"	the proposed spin-off of the CCBS Group by the Company, which is deemed to be constituted as a result of the Proposed Transaction under Practice Note 3 of the GEM Listing Rules
"Proposed Waiver"	the proposed waiver of assured entitlements to the shares in Pantheon Cayman in connection with the Proposed Spin-off, as more particularly described on pages 23 to 24 of this circular

"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong
"Remaining Group"	the Group other than the CCBS Group
"Senior Management"	senior management of the CCBS Group
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Share Exchange"	the share exchange as described under the paragraph headed "The Share Exchange" under the section headed "The Proposed Transaction" in this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"substantial shareholders"	has the meaning ascribed to it under the GEM Listing Rules
"US" or "United States"	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of US$ into HK$ is based on the exchange rate of US$1.00 to HK$7.80. The foregoing exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates at all.

GOLDEN MEDITECH COMPANY LIMITED
金 衛 醫 療 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8180)

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

Independent non-executive Directors:
Prof. CAO Gang
Mr. GAO Zong Ze
Prof. GU Qiao

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

To Shareholders

Dear Sir or Madam,

24 November 2008

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED SPIN-OFF AND DISPOSAL OF CCBS ACQUISITION OF PANTHEON CAYMAN'S ORDINARY SHARES (2) PROPOSED WAIVER OF ASSURED ENTITLEMENTS AND (3) TERMINATION OF EXISTING SHARE OPTION SCHEME OF A SUBSIDIARY

INTRODUCTION

On 3 November 2008, the Company, Pantheon, Pantheon Arizona, CCBS (indirectly held as to approximately 50.25% by the Company) and the CCBS Selling Shareholders (including GM Stem Cells which is a wholly owned subsidiary of the Company and Jayhawk which is a connected person of the Company) entered into the Agreement which provides for, among others: (i) Pantheon Cayman's acquisition of 88.39% of the issued share capital in CCBS from the CCBS Selling Shareholders (including GM Stem Cells and Jayhawk) in exchange for Pantheon Cayman issuing an aggregate of 51,132,658 ordinary shares at an issue price of US$6.05 per share to the CCBS Selling Shareholders; (ii) Pantheon Cayman's issuance of warrants to Senior Management conditional on CCBS Group achieving certain performance targets over the three years following the acquisition; (iii) the amendment of the terms of the options granted under the CSC Scheme to become options to purchase Pantheon Cayman's ordinary shares; and (iv) to the extent necessary, practicable and permitted under the applicable laws and after obtaining all relevant approvals from the Shareholders, the Company will purchase, or procure the purchase of, Pantheon's common shares for the purpose of assisting in the successful completion of the Proposed Transaction. The Company also announced that its application to the Stock Exchange for the approval of the Proposed Spin-off had been conditionally approved by the Stock Exchange.

Certain remaining shareholders of CCBS subsequently elected to participate in the Proposed Transaction on the same terms and conditions of the Agreement and became, as contemplated by the Agreement, CCBS Selling Shareholders under the Agreement. None of these CCBS shareholders has any equity interest in the Company. As at the Latest Practicable Date, Pantheon Cayman agreed to acquire a total of 93.94% of the issued share capital of CCBS from the CCBS Selling Shareholders in exchange for Pantheon Cayman issuing an aggregate of 54,345,104 ordinary shares at an issue price of US$6.05 per share to the CCBS Selling Shareholders.

The consideration of the Proposed Transaction represents the agreed valuation of the entire CCBS Group at approximately US$350,000,000 and Pantheon Cayman will issue 54,345,104 ordinary shares at an issue price of US$6.05 per share to all the CCBS Selling Shareholders in exchange for 93.94% equity interests in CCBS. The agreed valuation was determined by the parties after lengthy negotiation and was finally concluded after taking account of the market trading multiples of listed peers in the Asia Pacific region, cord blood banking industry dynamics, CCBS's unique business model, CCBS's market potentials in China and Asia Pacific region, CCBS's robust track record, inter alia, market penetration, subscription of services from new customers, profitability and the current management team, and CCBS's net asset value of approximately HK$639,966,000 as at 31 March 2008. No independent third party valuer has been appointed for the valuation of CCBS Group.

The Proposed Transaction constitutes a major transaction under Chapter 19 of the GEM Listing Rules. The Proposed Transaction also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and requires the approval of Independent Shareholders at the EGM. Jayhawk is a shareholder of CCBS. Jayhawk is also an associate of Mr. Kent McCarthy who is a substantial shareholder of the Company. Jayhawk is therefore a connected person of the Company under the GEM Listing Rules. Under PN 3, the Proposed Transaction is deemed to constitute the Company's spin-off of the CCBS Group for a separate listing. As the consideration ratio prescribed under Rule 19.07 of the GEM Listing Rules for the Proposed Spin-off exceeds 25%, the Proposed Spin-off will be subject to Independent Shareholders' approval at the EGM pursuant to clause 3(e)(2) of PN 3.

Assured entitlements to the shares in Pantheon Cayman will not be offered to the Shareholders and the Proposed Waiver will be sought from the Minority Shareholders at the EGM.

Effective at Completion or as soon as practicable thereafter, Pantheon Cayman will adopt the Pantheon Cayman Scheme with terms and conditions substantially similar to the terms and conditions of the CSC Scheme. The CSC Scheme will be terminated upon adoption of the Pantheon Cayman Scheme.

The purposes of this circular are:

(a) to provide the Shareholders with information on (i) the background to, the reasons for, and the benefits and effects of, the Proposed Transaction and the Proposed Spin-off and such other information relating to the Proposed Transaction as a major transaction under the GEM Listing Rules, (ii) the Proposed Waiver, and (iii) the termination of the CSC Scheme;

(b) to set out the recommendation from the Independent Board Committee to the Independent Shareholders and the Minority Shareholders as to whether the terms of the Proposed Transaction and the Proposed Spin-off and the Proposed Waiver (as the case may be) are fair and reasonable, whether the Proposed Spin-off and the Proposed Waiver (as the case may be) are in the interests of the Company and its Shareholders as a whole and advising the Independent Shareholders and the Minority Shareholders how to vote at the EGM in relation to the resolutions to approve the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver (as the case may be);

(c) to set out a letter of advice from First Shanghai to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders, as to whether the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver (as the case may be) are fair and reasonable and whether the Proposed Spin-off and the Proposed Waiver (as the case may be) are in the interests of the Company and its Shareholders as a whole; and

(d) to give notice convening the EGM at which an ordinary resolution will be proposed for the Shareholders, the Independent Shareholders and the Minority Shareholders (as the case may be) to consider and, if thought fit, approve the Proposed Transaction, the Proposed Spin-off, the Proposed Waiver and the termination of the CSC Scheme.

Shareholders and potential investors should note that the Proposed Transaction and the Proposed Spin-off is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. Thus, there can be no assurance that the Proposed Transaction and Proposed Spin-off will proceed. Accordingly, Shareholders and other persons contemplating buying or selling Shares are reminded to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their positions.

PRINCIPAL TERMS OF THE AGREEMENT

Date of the Agreement

3 November 2008

Parties to the Agreement

(1) The Company;

(2) Pantheon;

(3) Pantheon Arizona;

(4) CCBS; and

(5) the CCBS Selling Shareholders.

The Proposed Transaction

(a) ***The Merger***

Pantheon, being a Delaware company, will be merged with and into its wholly owned Arizona subsidiary, Pantheon Arizona, in accordance with the applicable laws of Delaware and Arizona, and the separate corporate existence of Pantheon will thereupon cease. Pantheon Arizona will be the surviving corporation.

(b) ***The Conversion***

Immediately following the merger of Pantheon with and into Pantheon Arizona, Pantheon Arizona will be converted into a Cayman Islands exempted company, Pantheon Cayman, pursuant to a conversion and continuation procedure under Arizona and Cayman Islands law. This procedure allows Pantheon Arizona to become a Cayman Islands exempted company while continuing its existence uninterrupted and without the need for a merger.

Following conversion of Pantheon Arizona to Pantheon Cayman, Pantheon Arizona will continue its existence in the organizational form of a Cayman Islands exempted company rather than an Arizona corporation. All of Pantheon's common shares held by Pantheon shareholders will be converted into Pantheon Cayman's ordinary shares on a one-to-one basis and the outstanding warrants issued by Pantheon will be assumed by Pantheon Cayman.

(c) ***The Share Exchange***

At Completion, the CCBS Selling Shareholders holding 93.94% of the issued share capital of CCBS will transfer and deliver to Pantheon Cayman all the issued and outstanding shares of CCBS held in their names. In exchange for such CCBS shares, Pantheon Cayman will transfer and deliver to the CCBS Selling Shareholders an aggregate of 54,345,104 fully paid ordinary shares of Pantheon Cayman at an issue price of US$6.05 per share, representing the agreed valuation of the entire CCBS Group at approximately US$350,000,000.

(d) ***Issuance of Warrants by Pantheon Cayman***

As a performance incentive to Senior Management, Pantheon Cayman will issue to Senior Management warrants to purchase up to 2,500,000 ordinary shares of Pantheon Cayman at an exercise price equal to the lower of US$5.00 per share and the market price of an ordinary share of Pantheon Cayman on the date of grant if the CCBS Group achieves not less than a 30% increase in the number of new cord blood subscribers during the fiscal year ending 31 March 2009 as compared to the fiscal year ended 31 March 2008. The warrants will expire on the fifth anniversary of the issuance date.

If the CCBS Group achieves not less than a 30% increase in the number of new cord blood subscribers during the fiscal year ending 31 March 2010 as compared to the fiscal year ending 31 March 2009, Pantheon Cayman will issue to Senior Management additional warrants to purchase up to 3,000,000 ordinary shares of Pantheon Cayman at an exercise price equal to the lower of US$5.00 per share and the market price of an ordinary share of Pantheon Cayman on the date of grant. The warrants will expire on the fifth anniversary of the issuance date.

If the CCBS Group achieves not less than a 30% increase in the number of new cord blood subscribers during the fiscal year ending 31 March 2011 as compared to the fiscal year ending 31 March 2010, Pantheon Cayman will further issue to Senior Management additional warrants to purchase up to 3,500,000 ordinary shares of Pantheon Cayman at an exercise price equal to the lower of US$5.00 per share and the market price of an ordinary share of Pantheon Cayman shares on the date of grant. The warrants will expire on the fifth anniversary of the issuance date.

The above incentive warrants, if any, will be issued as additional compensation for Senior Management only when the performance criteria to be stipulated by Pantheon Cayman are satisfied. The number of warrants to be awarded to individual members of Senior Management will be determined on a case-by-case basis by the compensation committee of Pantheon Cayman (or a majority of independent directors or another committee of the board performing similar functions) at the time the warrants are issued. Accordingly, the Company cannot identify at this point the members of Senior Management to whom the warrants will be awarded, nor can it conclude whether any of these awards will constitute connected transactions. Pantheon Cayman's issuance of warrants (if any) to Senior Management will not constitute a grant of share options as defined in Chapter 23 of the GEM Listing Rules, because Pantheon Cayman will not become a subsidiary of the Company solely by virtue of the Share Exchange. The Company, however, cannot rule out the possibility that Pantheon Cayman may become a subsidiary of the Company as a result of the combined effects of the Share Exchange and the Company's purchase of additional common shares of Pantheon (as described in paragraph (f) of this section below). If Pantheon Cayman becomes a subsidiary of the Company, the Company will ensure that Pantheon Cayman's issuance of incentive warrants (if any) will comply in full with the requirements under Chapter 23 of GEM Listing Rules and any other applicable laws and stock exchange requirements.

(e) ***New Share Option Plan of Pantheon Cayman***

Effective at Completion or as soon as practicable thereafter, Pantheon Cayman will adopt the Pantheon Cayman Scheme with terms and conditions substantially similar to the terms and conditions of the CSC Scheme. The CSC Scheme will be terminated upon adoption of the Pantheon Cayman Scheme. It is expected that the Pantheon Cayman Scheme will be adopted at Completion if Pantheon Cayman does not become a subsidiary of the Company. Pantheon Cayman will not become a subsidiary of the Company solely by virtue of the Share Exchange. The Company, however, cannot rule out the possibility that Pantheon Cayman may become a subsidiary of the Company as a result of the combined effects of the Share Exchange and the Company's purchase of additional common shares of Pantheon (as described in paragraph (f) of this section below). If Pantheon Cayman becomes a subsidiary of the Company, the Company will ensure that the Pantheon Cayman Scheme will comply in full with the requirements under Chapter 23 of GEM Listing Rules and any other applicable laws and stock exchange requirements.

All share options outstanding under the CSC Scheme will remain outstanding but will be amended such that the options will become exercisable for ordinary shares of Pantheon Cayman in lieu of ordinary shares of CSC and their manner of exercise will be governed by the rules of the Pantheon Cayman Scheme in lieu of the CSC Scheme.

(f) ***Purchase of Pantheon's common shares***

To the extent necessary, practicable and permitted under the applicable laws and after obtaining all relevant approvals from the Company's shareholders, the Company will purchase, or procure the purchase of, Pantheon's common shares for the purpose of assisting in the successful completion of the Proposed Transaction. The Company will comply with Chapter 19 and/or Chapter 20 of the GEM Listing Rules for the purchase of Pantheon's common shares (if any). The Company has no commitment as to the price and number of Pantheon's common shares under the Agreement.

Conditions

Completion will take place on the third business day following the satisfaction or waiver of the Conditions, which include the following:

(1) the merger of Pantheon into Pantheon Arizona pursuant to the applicable laws and regulations;

(2) the conversion of Pantheon Arizona to Pantheon Cayman pursuant to the applicable laws and regulations;

(3) a proxy statement soliciting for Pantheon's shareholders approval for the Proposed Transaction having been declared effective by the U.S. Securities and Exchange Commission;

(4) the approval of the Proposed Transaction by the shareholders of Pantheon; and

(5) the approval of the Proposed Transaction, the Proposed Spin-off, the proposed waiver of assured entitlement, and the proposed amendment and termination of the CSC Scheme by the Shareholders at the EGM.

There can be no assurance that any of the Conditions will be satisfied. As at the Latest Practicable Date, none of the conditions mentioned above has been satisfied.

INFORMATION OF THE GROUP

The Group is a leading hi-tech healthcare provider in China. The principal businesses and operations of the Group consist of the medical device segment and the cord blood bank segment. In addition to the existing businesses, the Company also explores opportunities in healthcare projects. The Company will utilize its in-depth understanding and industry knowledge of the healthcare industry in China to assess investment opportunities. The Company will only invest in projects which possess high entry barrier, dominant market position, strong synergy with the Company's existing operations and promising prospects.

The medical device segment primarily concerns the development, manufacture, sales and distribution of professional medical apparatus and personal health monitoring devices. The Company's blood related medical devices, namely autologous blood recovery systems, continue to maintain its dominant position in the China market. With the Company's strong market position and well established medical equipment distribution platform, the Company will leverage on these resources for the commercialization of new and innovative medical devices and products in the future.

The cord blood bank segment primarily provides collection, processing, and storage services for cord blood stem cells of newborn babies. It is currently one of the leading cord blood banks in China.

The Company demonstrated sound track record of strategic investments and acquisitions of healthcare projects over the past few years. It has demonstrated its excellent capacity and credentials in product commercialization, risk management, control, and integration of newly acquired businesses to ensure successful integration. The Company has successfully commercialized various new medical devices and healthcare services in China. In addition, the Company has successfully invested in China Medical Technologies Inc. which was successfully listed on NASDAQ Global Select Market in the United States and results in encouraging returns to the Company and the shareholders of the Company. The Company will continue to pursue opportunities for the purpose of enhancing shareholders value and maximizing shareholder return in the future.

INFORMATION OF THE CCBS GROUP

CCBS is a company incorporated in the Cayman Islands with limited liability. The Company holds approximately 50.25% equity interests in CCBS indirectly.

The primary business activities of the CCBS Group which primarily include the collection, processing and storage services of cord blood of newborn babies. In terms of the geographical size of licensed areas, CCBS Group is currently the largest cord blood bank operator in China, with the rights to operate exclusively in Beijing and Guangdong province. Currently, there are six licenses in China for the provision of umbilical cord blood stem cells banking and CCBS Group is the only company that has obtained more than one license. Being the first cord blood bank operator in China, CCBS successfully commercialized the cord blood banking business in the Beijing region.

Based on the consolidated financial statements of the CCBS Group prepared in accordance with HKFRSs, the audited net asset value of the CCBS Group as at 31 March 2008 was approximately HK$639,966,000 and the net profit attributable to the shareholders of CCBS for the years ended 31 March 2007 and 2008 was approximately HK$23,219,000 and HK$59,245,000 respectively.

INFORMATION OF PANTHEON

Pantheon is a blank check company organized for the purpose of acquiring through an asset acquisition or other similar business combination, or through contractual arrangements, an operating business that has its principal operations located in the PRC. On 20 December 2006, Pantheon consummated its initial public offering of 5,750,000 units, including 750,000 subject to an over-allotment option, with each unit consisting of one share of common stock and two warrants, each to purchase one share of common stock at an exercise price of US$5.00 per share. The units were sold at an offering price of US$6.00 per unit, generating total gross proceeds of US$34,500,000. Simultaneously with the consummation of the initial public offering, Pantheon consummated the private sale of 2,083,334 warrants at a price of US$0.60 per warrant, generating total proceeds of US$1,250,000. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to Pantheon from the public offering and the private sale were approximately US$33,739,436, of which US$32,747,500 was deposited into a trust fund and the remaining proceeds US$991,936 became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The net proceeds deposited into the trust fund remain on deposit in the trust fund earning interest. As of 30 June 2008, there was US$34,093,763 held in the trust fund. The proceeds held in the trust account that are not used to consummate a business combination will be disbursed to the combined company and will, along with any other net proceeds not expended, be used as working capital to finance the operations of the target business. To the extent Pantheon is unable to consummate a business combination by 14 December 2008, its corporate existence will cease by operation of law, and it will be obliged to distribute to its public shareholders the amount held in the trust fund plus any remaining net assets. In light of the anticipated timetable for the Proposed Transaction, Pantheon has announced the approval by its board of directors of a resolution extending the time available for it to consummate a business combination until 30 September 2009 and a recommendation that the shareholders of Pantheon vote to approve an amendment to its certificate of incorporation to effect this extension.

The securities of Pantheon are quoted on the OTC Bulletin Board in the United States as of the Latest Practicable Date, and the securities of Pantheon Cayman, its successor and surviving entity after the merger and conversion described above, will remain so quoted at Completion.

As of 30 June 2008, the total assets and total net liabilities of Pantheon amounted to US$34,359,904 and US$2,222,001[Note 1] respectively. For the period between 10 April 2006 and 31

December 2006 and the year ended 31 December 2007, Pantheon's net loss amounted to US$4,067,014 and US$604,579 respectively(Note 2). The last closing price of the common shares, warrants and units of Pantheon was US$5.84 (as of 14 November 2008), US$0.15 (as of 21 November 2008) and US$5.99 (as of 18 November 2008) respectively.

Note 1: It was set out in the announcement of the Company dated 3 November 2008 ("Announcement") that as of 30 June 2008, Pantheon's net assets amounted to US$27,108,949, which was determined based on the financial statements prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP Accounts"). Net liabilities determined based on the financial statements in accordance with International Financial Reporting Standards ("IFRS Statements") were US$2,222,001. The difference is due to:

— US GAAP Accounts treated 80.01% of the gross proceeds of US$34,500,000 from the issuance of the common stock of Pantheon sold during its initial public offering (the "IPO") as equity. For IFRS Statements purposes, management of Pantheon designated all of its common stock sold during the IPO as financial liabilities at fair value through profit or loss because all such common stock is subject to redemption (please refer to note 11 of Appendix II of this circular) and accordingly net assets were decreased by US$27,603,450.

— US GAAP Accounts treated 19.99% of Type C Warrants (please refer to note 17 of Appendix II of this circular) of US$1,250,000, net of 19.99% of IPO offering expense (excluding the options issued to the representative of the underwriters of the IPO) of US$3,002,501 neither as equity nor liabilities. For IFRS Statements purposes, these items were reversed and decreased net assets accordingly by US$350,325.

— US GAAP Accounts recognised 80.01% of interest income (totalled US$1,377,175 up to 30 June 2008) on the Trust Account (please refer to note 10 of Appendix II of this circular). For IFRS Statements purposes, all the interest income on the Trust Account was deferred as financial liabilities of Pantheon at the balance sheet dates and thus decreased net assets by US$1,377,175.

Note 2: It was set out in the Announcement that for the period from 10 April 2006 (date of inception of Pantheon) to 31 December 2006 and the year ended 31 December 2007, Pantheon's net profit amounted to US$2,322 and US$393,165 respectively, which were determined based on the US GAAP Accounts.

For the period from 10 April 2006 (date of inception of Pantheon) to 31 December 2006, the difference is due to:

— US GAAP Accounts treated the IPO offering expenses as IPO share issuance costs and netted them off against additional paid-in capital. For IFRS Statements purposes, management of Pantheon designated all of its common stock sold during the IPO as financial liabilities at fair value through profit or loss and accordingly all IPO offering expenses were charged to the income statement for the period from 10 April 2006 (date of inception of Pantheon) to 31 December 2006, and decreased net profit by US$4,037,414.

— US GAAP Accounts recognised 80.01% of interest income on the Trust Account for the period from 10 April 2006 (date of inception of Pantheon) to 31 December 2006. For IFRS Statements purposes, all the interest income on the Trust Account was deferred as financial liabilities of Pantheon at the balance sheet dates and thus decreased net profit by US$31,922.

For the year ended 31 December 2007, the difference is due to:

— US GAAP Accounts recognised 80.01% of interest income on the Trust Account for the year ended 31 December 2007. For IFRS Statements purposes, all the interest income on the Trust Account was deferred as financial liabilities of Pantheon at the balance sheet dates and thus decreased net profit by US$997,744.

FINANCIAL EFFECT OF THE PROPOSED TRANSACTION

As the Proposed Transaction is deemed to constitute the Company's spin-off of the CCBS Group under PN 3, details of the financial effect of the Proposed Transaction are set out in the section headed "Financial effect of the Proposed Transaction and the Proposed Spin-off" in this circular.

FUTURE PLAN FOR CCBS AND PANTHEON CAYMAN

It is expected that, assuming no additional shareholders of CCBS elect to participate in the Proposed Transaction, at Completion, CCBS will become a 93.94% owned subsidiary of Pantheon Cayman, the successor and surviving entity of Pantheon after the merger and conversion described above, whose securities will remain quoted on the OTC Bulletin Board. It is contemplated that after Completion, an application will be made for the ordinary shares of Pantheon Cayman to become listed on The New York Stock Exchange or elsewhere at an appropriate time. The listing application will be made only when Pantheon Cayman has satisfied the relevant listing requirements. Such listing will be unrelated to, and is not a condition for or requirement of, the Proposed Transaction or the Agreement. An announcement will be made by the Company in relation to this plan if and when appropriate.

Pursuant to the terms of the Agreement, Pantheon Cayman will not become a subsidiary of the Company by virtue of the Share Exchange. However, the Company cannot rule out the possibility that Pantheon Cayman may become a subsidiary of the Company as a result of the combined effects of the Share Exchange and the Company's purchase of additional shares of Pantheon, if any, in the manner described in subsection (f) of the section headed "The Proposed Transaction" in this circular.

GEM LISTING RULES IMPLICATIONS

As the consideration ratio prescribed under Rule 19.07 of the GEM Listing Rules for the Company's indirect disposal of its 50.25% equity interests in CCBS (i.e. the Proposed Spin-off) is expected to exceed 25% but be less than 75%, the disposal arm of the Proposed Transaction will amount to a major transaction under Chapter 19 of the GEM Listing Rules. On the other hand, as the consideration ratio prescribed under Rule 19.07 of the GEM Listing Rules for the indirect acquisition by the Company of Pantheon Cayman's ordinary shares is expected to exceed 25% but be less than 100%, the acquisition arm of the Proposed Transaction will amount to a major transaction of the Company under Chapter 19 of the GEM Listing Rules. The Proposed Transaction therefore constitutes a major transaction under Chapter 19 of the GEM Listing Rules.

The Proposed Transaction also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and requires the approval of Independent Shareholders. Jayhawk is a shareholder of CCBS. Jayhawk is also an associate of Mr. Kent McCarthy who is a substantial shareholder of the Company. Jayhawk is therefore a connected person of the Company under the GEM Listing Rules.

Under PN 3, the Proposed Transaction is deemed to constitute the Company's spin-off of the CCBS Group. In this connection, the Stock Exchange has granted a conditional approval for the Company to proceed with the Proposed Spin-off. As the consideration ratio prescribed under Rule 19.07 of the GEM Listing Rules for the Proposed Spin-off exceeds 25%, the Proposed Spin-off will be subject to Independent Shareholders' approval pursuant to clause 3(e)(2) of PN 3.

As required by the GEM Listing Rules, the votes of Independent Shareholders regarding the Proposed Transaction and the Proposed Spin-off will be taken by way of a poll at the EGM. Jayhawk and its associates are required to abstain from voting in respect of the ordinary resolutions to be proposed at the EGM to approve the Proposed Transaction and the Proposed Spin-off.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Pantheon and all its beneficial owners of more than 5% of Pantheon's securities are Independent Third Parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

THE PROPOSED SPIN-OFF

1. **General**

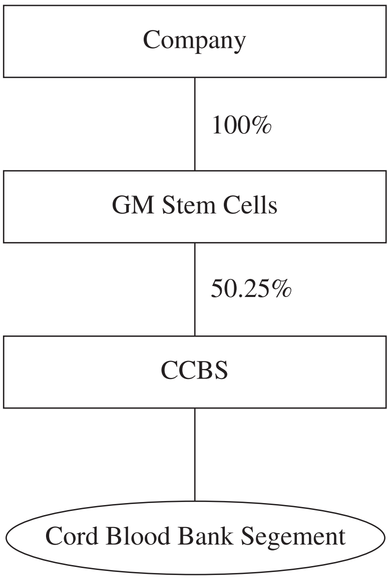
The Company currently holds approximately 50.25% of the issued share capital of CCBS through GM Stem Cells, a wholly owned subsidiary of the Company. In contemplation of the Proposed Spin-off, the Group has completed a corporate reorganization whereby CCBS was incorporated on 17 January 2008 to become the indirect holding company of the CCBS Group. The principal business activities of the CCBS Group concern the cord blood bank segment of providing collection, processing and storage services for cord blood of newborn babies.

2. **Effect on shareholding of the Proposed Spin-off**

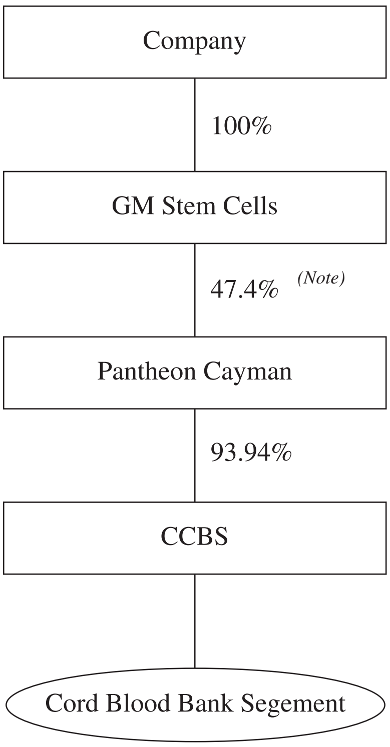
Assuming that none of the warrants and employee options of Pantheon Cayman will be exercised, and without taking into account of the Company's proposed purchase of Pantheon's common shares in the manner described in subsection (f) of the section headed, "The Proposed Transaction" in this circular, the Company will indirectly hold approximately 47.4% equity interests in Pantheon Cayman immediately after Completion and accordingly, the Company's retained equity interest in CCBS will decrease from approximately 50.25% to approximately 44.5%.

The shareholding interests of the Company in the CCBS Group prior to and following the Proposed Spin-off are illustrated in simplified form below.

Shareholding interest of the Company in the CCBS Group prior to Proposed Spin-off



Shareholding interest of the Company in the CCBS Group following the Proposed Spin-off



Note: Pursuant to the terms of the Agreement, Pantheon Cayman will not become a subsidiary of the Company by virtue of the Share Exchange. However, the Company cannot rule out the possibility that Pantheon Cayman may become a subsidiary of the Company as a result of the combined effects of the Share Exchange and the Company's purchase of additional shares of Pantheon, if any, in the manner described in subsection (f) of the section headed "The Proposed Transaction" in this circular.

3. **Relationships amongst the CCBS Group and the Remaining Group**

In terms of cash flow and business scope, the operation of the CCBS Group is separate and clearly distinct from that of the Remaining Group. The Company became listed in 2001 on GEM. The Remaining Group will have a sufficient level of operations and cash flow to support its listing on GEM after the Proposed Spin-off.

(a) ***Adequate trading record of at least two financial years comprising a positive cash flow***

The Remaining Group has an adequate trading record for the two years ended 31 March 2008 comprising a positive cash flow of HK$286,814,000 i.e. more than HK$20,000,000 as required by Rule 11.12A(1) of the GEM Listing Rules.

(b) ***Clear delineation between the business retained by the Company and the business of CCBS***

The Remaining Group is principally engaged in the business of the medical device business segment, which primarily concerns the development, manufacture, sales and distribution of medical devices, and acquisition and development of other healthcare projects in China, which include healthcare projects with good investment returns and synergy effects with the business of the Remaining Group.

The CCBS Group is engaged in the cord blood bank business segment, which primarily concerns provision of collection, processing and storage services in respect of cord blood of newborn babies.

The CCBS Group and the Remaining Group are operating in unique but discrete market segments. The CCBS Group focuses on the cord blood bank business segment, whereas the Remaining Group aims at strengthening the medical device business segment as well as exploring business opportunities in other healthcare sectors. Due to the difference in segments of the CCBS Group and the Remaining Group, the two groups of companies are believed to have different growth paths and different strategies, particularly in view of the fact that the cord blood bank business segment has grown to a size sufficient to command a separate listing. The Proposed Spin-off will enable the management team of the Remaining Group and the CCBS Group to focus on their respective core businesses of the two groups of companies, thereby enhancing the efficiency in operations and expediting their business development. The Proposed Spin-off will also offer the Shareholders with an opportunity to participate in the future developments of both the Remaining Group and the CCBS Group, or to only invest in the Remaining Group or the CCBS Group if their preference so dictate.

(c) ***The ability of CCBS to function independently***

(i) *Independence of directorship and management*

Upon Completion, it is intended that the board of directors of Pantheon Cayman will consist of between five and seven members. The members will include Ms. Zheng Ting and Mr. Albert Chen of CCBS, Mr. Mark Chen of Pantheon, and additional directors to be selected and nominated by CCBS such that a majority of the board will consist of independent non-executive directors, of which one will have U.S. GAAP experience.

Ms. Zheng Ting, a director, chairman and the chief executive officer of CCBS, is an executive director of the Company. Aside from Ms. Zheng, the directors and senior management of the CCBS Group are not directors or senior management of any member of the Remaining Group.

The senior management and current employees of the CCBS Group will continue to be employed by the CCBS Group and there is no current intention that the present and future senior management and employees of the CCBS Group will participate in the operation of the Company or other members of the Remaining Group, nor is there any intention that the present and future senior management and employees of the Remaining Group will participate in the operation of the CCBS Group except for Ms. Zheng Ting in the manner described above. The day-to-day operation and management of the CCBS Group are therefore independent from that of the Remaining Group.

(ii) *Administrative capability*

As at the Latest Practicable Date, the CCBS Group had a team of approximately 300 full-time permanent employees, of whom approximately 17.5% are management and administrative personnel. The CCBS Group has sufficient human resources to carry out its administrative functions independently from the Remaining Group. For example, the Company paid administrative expenses on behalf of CSC in the aggregate amount of RMB100,078 for the year ended 31 March 2006, RMB136,814 for the year ended 31 March 2007 and nil for the year ended 31 March 2008. The Company is able to seek reimbursements from CSC for the amounts for which CSC is responsible upon presentation of receipts or other proper documentation.

Furthermore, on 16 March 2005, a subsidiary of CSC, Beijing Jiachenhong, entered into a property lease agreement with Beijing Jingjing, a subsidiary of the Company, pursuant to which Beijing Jingjing leased its property in Beijing to Beijing Jiachenhong. The property is approximately 2,400 square meters in size and is used by Beijing Jiachenhong for its business operations or as office premises. The term of the lease agreement is ten years and the monthly rental is RMB174,000.

The above arrangements are normal business practice beneficial for both the Group and the CCBS Group from administrative convenience and cost saving standpoints. In addition, the amounts involved are immaterial. Thus the above arrangements would not undermine the operational independence of the CCBS Group. Other than these administrative supports, the CCBS Group carries out its operating activities independently from the Company. As Pantheon Cayman will not be a connected person of the Remaining Group after completion of the Proposed Spin-off, the above arrangements will not amount to continuing connected transactions for the purpose of the GEM Listing Rules.

(iii) *Financial independence*

The CCBS Group is financially independent from the Remaining Group. The CCBS Group has its own accounting department and has maintained separate accounting records independently from the Remaining Group.

For the year ended 31 March 2006, Beijing Jingjing made cash advances to CSC in the amount of RMB10,000,000, which was unsecured, interest-free and had no fixed terms of repayment. The amount was repaid in full during the year ended 31 March 2007. Except for the administrative expenses paid by the Company on behalf of CSC for the three financial years ended 31 March 2008 described under the section headed "Administrative capability" above, there are no outstanding inter-group balances between the Remaining Group and the CCBS Group.

4. **Financial effects of the Proposed Transaction and the Proposed Spin-off**

The Proposed Transaction constitutes a sale by the CCBS Selling Shareholders of their entire equity interest in the CCBS Group to Pantheon Cayman at an agreed valuation of the entire CCBS Group at approximately US$350,000,000. As consideration for the sale, Pantheon Cayman will allot and issue to the CCBS Selling Shareholders an aggregate of 54,345,104 ordinary shares for 93.94% equity interest of the CCBS Group at an issue price of US$6.05 per share, including 29,068,087 ordinary shares to GM Stem Cells. At Completion, Pantheon Cayman will have the following securities outstanding: ordinary shares (which are issued either as consideration for the Proposed Transaction or in exchange for common shares of Pantheon), warrants (which are issued in exchange for warrants to purchase common shares of Pantheon), and employee options (which are amended options under the CSC Scheme assumed by Pantheon Cayman). Assuming that none of the warrants and employee options will be exercised, and without taking into account of the Company's proposed purchase of Pantheon's common shares in the manner described in subsection (f) of the section headed, "The Proposed Transaction" in this circular, the Company will indirectly hold approximately 47.4% equity interests in Pantheon Cayman immediately after Completion.

(a) ***Effect on earnings and deemed disposal gain***

With reference to the difference between Pantheon Cayman's net assets value attributable to the Company after the Proposed Transaction and CCBS's net assets value attributable to the Company immediately prior to the Proposed Transaction, the estimated deemed disposal gain for the Company from its exchange of CCBS's ordinary shares for Pantheon Cayman's ordinary shares pursuant to the Share Exchange is estimated at HK$84,172,000.

(b) ***Effect on net asset value***

As at 31 March 2008, the audited net asset value of the Group was approximately HK$3,553 million. The net asset value of the Group is expected to decrease to approximately HK$3,314 million immediately following completion of the Proposed Transaction including the Proposed Spin-off.

(c) ***Effect on liabilities***

As at 31 March 2008, the total borrowings of the Group were approximately HK$352 million and the net asset value was approximately HK$3,553 million. Immediately following completion of the Proposed Transaction including the Proposed Spin-off, the gearing ratio of the Group (calculated as total borrowings to net assets) is expected to increase to approximately 10.6%.

(d) ***Methodology***

The financial effects as disclosed above were derived taking into account of the following:

1. Audited financial information of the Group as of 31 March 2008;

2. The Company's interest in CCBS decreasing from approximately 50.25% to approximately 44.5%.

5. **Financial and Trading Prospects of the Group**

As disclosed in the Company's annual report for the year ended 31 March 2008, the Group's consolidated turnover increased by 27.2% to approximately HK$421,147,000 and the net profit attributable to the Shareholders increased 206.1% to approximately HK$683,744,000, mainly attributable to the robust performance across various segments and divisions and the continuous monetization of the Group listed assets.

Medical device business

For the year ended 31 March 2008, turnover of the medical device business segment amounted to approximately HK$283,338,000 (which represents approximately 67.3% of the Group's total turnover) as compared to that for the year ended 31 March 2007 in the amount of approximately HK$267,192,000. Segmented profit for the year ended 31 March 2008 was approximately HK$200,940,000 as compared to that for the year ended 31 March 2007 in the amount of approximately HK$190,727,000. The continuous increase in turnover of this segment is mainly attributable to the increase in sales of the Group's disposable chambers, which benefited from the increasing popularity of the Group's autologous blood recovery system ("ABRS"). The Group's ABRS system is to collect, filter and recycle the blood lost by patients during their operations and by doing so, patients do not need to rely on external blood supply for fear of potential blood contamination.

Cord blood bank business

For the year ended 31 March 2008, the turnover of the cord blood bank business was approximately HK$137,809,000 (which represents approximately 32.7% of the Group's total turnover) as compared to that for the year ended 31 March 2007 in the amount of approximately HK$63,942,000. Net profit attributable to CCBS shareholders amounted to HK$59,245,000 as compared to that for the year ended 31 March 2007 in the amount of approximately HK$23,219,000. The continuous growth of this market segment was primarily due to the increase in the Group's market penetration in those regions it serves as well as the commencement of the Group's operations in the Guangdong province since May 2007. The increase in segmental profit was derived from the increase in turnover and economy of scale.

Trading Prospects of the Group

Going forward the Company will continue to maintain its dominant market position in the China blood recovery medical device segment. Through continuous penetration and market promotion, the Group intends to further enhance the popularity and adoption rate of the Company's ABRS system. As the total installation base continues to rise, the Company will also benefit through the sales and distribution of its disposable chambers which will be the key cash flow generator over the long run. Aside from the existing ABRS system, the Company will also be actively involved in the research and development of new and innovative medical devices which can be commercialized via the Group's existing distribution platform.

In addition, the Company will utilize its in-depth understanding and knowledge in the healthcare industry in China to assess investment opportunities. The Company will only invest in projects which possess high entry barrier, dominant market position, strong synergy with the Company's existing operations and promising prospects.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION AND THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will bring clear commercial benefits to both the Company and CCBS, including the following:

(a) enabling future funds raised by the Company to be focused on the business development of the Remaining Group;

(b) enabling the management team of the CCBS Group and the Remaining Group to focus on the respective core businesses of the two groups of companies, which operate in discrete market segments with divergent growth paths and strategies, and thereby enhancing their operation efficiency and business development;

(c) enabling the CCBS Group to build up its own identity as an independently listed group under Pantheon and enabling investors to appraise and assess the potential and performance of the CCBS Group separate and distinct from those of the Company;

(d) enabling the CCBS Group to take advantage of opportunities prevailing from the significant potential for growth in the cord blood banking business in the PRC;

(e) increasing the CCBS Group's international visibility, reputation and corporate profile in its industry through Pantheon;

(f) enabling the CCBS Group to raise funds via Pantheon (with access to equity and debt markets) for future business development and expansion according to its corporate mission and business plans;

(g) providing greater transparency for credit profiling to financial institutions that wish to lend against the credit of a pure cord blood banking company;

(h) enabling the value of the CCBS Group to be more easily distinguished and realized through Pantheon;

(i) enhancing the transparency of the business performance of the CCBS Group through independent and more comprehensive financial disclosure, improving its responsiveness to market changes via Pantheon and enabling the CCBS Group to be more focused on the development of its own business;

(j) improving the ability of the CCBS Group to attract and retain highly qualified professionals in its business as an independently listed group under Pantheon; and

(k) enabling the CCBS Group to optimize its valuation potential given the familiarity of US investors with cord blood bank businesses, hereby increasing the value of shares of the Company and enhancing the Shareholders' value.

In light of the above, the Directors do not anticipate any adverse impact on the Shareholders as a result of the implementation of the Proposed Transaction and the Proposed Spin-off. The Board believes that the Proposed Transaction and the Proposed Spin-off will be beneficial to the Shareholders because the Company will be able to realize the value of its investments in the CCBS Group and focus on developing the Remaining Group's principal business. The Directors believe that the terms of the Proposed Transaction are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. The Board is of the view that the Proposed Spin-off will offer the Shareholders a valuable opportunity to participate in the future developments of both the Remaining Group and the CCBS Group.

ASSURED ENTITLEMENTS

Pursuant to PN 3, a listed issuer which is spinning off a subsidiary by obtaining a listing for it, whether in Hong Kong or overseas, is required to offer to its shareholders a proportion of any shares in the subsidiary to be issued or sold under assured entitlements, unless minority shareholders agree in the general meeting to waive such entitlement. It is intended that assured entitlements to shares in Pantheon Cayman will not be provided to the Shareholders for the reasons set forth below.

(i) **Complicated and expensive exercise with limited benefits**

If Pantheon Cayman were to be required to offer a portion of its securities to the Shareholders in the form of a preferential allocation, i.e., offering securities in Pantheon Cayman to the Shareholders for consideration, it is required to prepare a prospectus for the investors in Hong Kong. The preparation of a prospectus for the investors in Hong Kong is a time-consuming and prohibitively expensive process. The Directors do not consider assured entitlement as the appropriate means to achieve the protection of the Minority Shareholders because the securities offered under assured entitlement usually represents a small portion of the total number of securities offered by Pantheon Cayman while the time and monetary cost of preparing a prospectus significantly outweighs the benefits of minority shareholder protection. Moreover, the substantial cost involved would have an adverse impact on the CCBS Group's profitability, which will in turn adversely affect the Company's profits and Shareholders' financial interests, given the controlling stake of the Company in the CCBS Group following the Proposed Spin-off. In addition, even if the Minority Shareholders in Hong Kong were given the opportunity to subscribe for securities in Pantheon Cayman, the local investors in Hong Kong may not necessarily be interested in subscribing for securities of an overseas market.

(ii) **Business decision**

The reason why the Directors made a business judgment to proceed with the Proposed Transaction is in part because the Company would like to tap into a U.S. shareholders pool for the CCBS Group. Compelling Pantheon Cayman to offer assured entitlement by offering securities to investors in Hong Kong would defeat the Directors' valid business decision to change the composition of the shareholders group of the CCBS Group in the first place.

(iii) **Practical difficulties**

Considering the limited size of assured entitlement, the Shareholders will be incurring expenses and facing practical difficulties, including, amongst other things, (i) opening trading accounts with registered brokers in the United States; and (ii) brokerage fee involved in the United States per transaction. Therefore, the costs involved would likely outweigh the value of the securities received by the Shareholders in most cases. Given the costs involved, those Shareholders entitled to only a small number of securities in Pantheon Cayman will not be incentivized to subscribe for such securities and may not benefit from the assured entitlement. Furthermore, those Shareholders who are entitled to only fractional securities will not be able to subscribe for fractional securities and benefit from the assured entitlement.

In view of the above, the Directors consider that the provision of assured entitlement to the Shareholders is unduly burdensome under these circumstances. The Proposed Waiver will be sought from the Minority Shareholders at the EGM. Bio Garden, being the substantial shareholder but not controlling shareholder of the Company, will abstain from voting on the resolution for approving the Proposed Waiver.

TERMINATION OF THE CSC SCHEME

The CSC Scheme was approved by the shareholders of CSC at the extraordinary general meeting held on 28 August 2006. In accordance with the GEM Listing Rules, the CSC Scheme was approved by the Shareholders at an extraordinary general meeting of the Company held on 21 September 2006, and became effective on 21 September 2006.

Effective at Completion or as soon as practicable thereafter, Pantheon Cayman will adopt the Pantheon Cayman Scheme with terms and conditions substantially similar to the terms and conditions of the CSC Scheme. The CSC Scheme will be terminated upon adoption of the Pantheon Cayman Scheme. It is expected that the Pantheon Cayman Scheme will be adopted at Completion if Pantheon Cayman does not become a subsidiary of the Company. Pantheon Cayman will not become a subsidiary of the Company solely by virtue of the Share Exchange. The Company, however, cannot rule out the possibility that Pantheon Cayman may become a subsidiary of the Company as a result of the combined effects of the Share Exchange and the Company's purchase of additional common shares of Pantheon (as described in paragraph (f) of this section below). If Pantheon Cayman becomes a subsidiary of the Company, the Company will ensure that the Pantheon Cayman Scheme will comply in full with the requirements under Chapter 23 of GEM Listing Rules and any other applicable laws and stock exchange requirements. All share options outstanding under the CSC Scheme will remain outstanding but will be amended such that the options will become exercisable for ordinary shares of Pantheon Cayman in lieu of ordinary shares of CSC and their manner of exercise will be governed by the rules of the Pantheon Cayman Scheme in lieu of the CSC Scheme.

An ordinary resolution will be proposed at the EGM for the Shareholders to approve the termination of the CSC Scheme.

As at the Latest Practicable Date, options to subscribe for a total of 100,000 shares in CSC were granted and outstanding under the CSC Scheme. All of such share options have been fully vested. No share options granted under the CSC Scheme were exercised, cancelled or lapsed as at the Latest Practicable Date. The Directors confirm that no further share options will be granted under the CSC Scheme.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 15 December 2008 is set out on pages N-1 to N-3 of this circular at which the Independent Shareholders will be requested to consider and, if thought fit, approve an ordinary resolution for each of the Proposed Transaction and the Proposed Spin-off, and the Minority Shareholders will be requested to consider and, if thought fit, approve an ordinary resolution for the Proposed Waiver, and the Shareholders will be requested to consider and, if thought fit, approve an ordinary resolution for the termination of the CSC Scheme.

The Proposed Transaction constitutes a major transaction under Chapter 19 of the GEM Listing Rules. The Proposed Transaction also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and requires the approval of Independent Shareholders. Under PN 3, the Proposed Transaction is deemed to constitute the Company's spin-off of the CCBS Group for a separate listing. As the consideration ratio prescribed under Rule 19.07 of the GEM Listing Rules for the Proposed Spin-off exceeds 25%, the Proposed Spin-off will be subject to Independent Shareholders' approval pursuant to clause 3(e)(2) of PN 3.

As required by the GEM Listing Rules, the votes of Independent Shareholders regarding the Proposed Transaction and the Proposed Spin-off will be taken by way of a poll at the EGM. Jayhawk and its associates are required to abstain from voting with respect to the ordinary resolutions to be proposed at the EGM to approve the Proposed Transaction and the Proposed Spin-off.

Only the Minority Shareholders may vote on the Proposed Waiver. Those Shareholders who are either Directors or substantial shareholders of the Company (namely Bio Garden (being substantial shareholder but not controlling shareholder of the Company)) will abstain from voting on the Proposed Waiver at the EGM. To the extent that the Company is aware and having made all reasonable inquiries, as at the Latest Practicable Date:

(a) Bio Garden was a substantial shareholder of the Company holding approximately 28.3% of its then entire issued share capital. Mr. Kam Yuen, an executive Director, chairman and the chief executive officer of the Company, as the sole shareholder of Bio Garden, indirectly controlled and was entitled to indirectly control over the voting rights in respect of Bio Garden's Shares;

(b) there was no voting trust or other agreement, arrangement or understanding entered into by or binding upon Bio Garden and Bio Garden was not subject to any obligation or entitlement, whereby it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, whether generally or on a case-by-case basis;

(c) it was not expected that there would be any discrepancy between Bio Garden's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it would control or would be entitled to exercise control over the voting right in the EGM; and

(d) Mr. Kam Yuen and his respective associates (other than Bio Garden) did not hold any Shares.

The Independent Board Committee comprising the independent non-executive Directors, namely Prof. Cao Gang, Mr. Gao Zhong Ze and Prof. Gu Qiao, has been appointed to advise the Independent Shareholders and the Minority Shareholders as to whether or not the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable and in the interests of the Shareholders as a whole and to advise the Independent Shareholders and the Minority Shareholders how to vote at the EGM. None of the members of the Independent Board Committee has an interest in the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver. First Shanghai has been appointed to advise the Independent Board Committee, the Independent Shareholders and the Minority Shareholders as to whether or not the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders and the Minority Shareholders how to vote at the EGM.

A proxy form for use by the Independent Shareholders and Minority Shareholders at the EGM is enclosed. Whether or not you are available to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 29 to 30 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Proposed Transaction and the Proposed Spin-off and to the Minority Shareholders concerning the Proposed Waiver; and (ii) the letter from First Shanghai to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders set out on pages 31 to 47 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders concerning the Proposed Transaction and the Proposed Spin-off and to the Independent Board Committee and the Minority Shareholders concerning the Proposed Waiver.

The Independent Board Committee, having taken into account the advice from First Shanghai in relation to the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver, considers that the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable so far as the Shareholders are concerned and that the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed to approve the Proposed Transaction and the Proposed Spin-off and the Minority Shareholders to vote in favour of the resolution to be proposed to approve the Proposed Waiver at the EGM.

The other Directors also consider that the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable so far as the Shareholders are concerned and that the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are in the interests of the Company and the Shareholders as a whole and, accordingly, the Board also recommends that the Independent Shareholders vote in favour of the resolutions to be proposed in relation to the Proposed Transaction and the Proposed Spin-off and the Minority Shareholders vote in favour of the resolution to be proposed in relation to the Proposed Waiver at the EGM.

Furthermore, the Directors believe that the termination of the CSC Scheme to be proposed at the EGM is in the best interests of the Company and the Shareholders. Accordingly, the Board recommends you to vote in favour of the resolution to be proposed in relation to the termination of the CSC Scheme at the EGM.

GENERAL

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Shareholders and potential investors should note that the Company may or may not proceed with the Proposed Transaction and the Proposed Spin-off in accordance with the terms set out above, or at all. The Board wishes to emphasize that the Proposed Transaction is conditional upon satisfaction or waiver of the Conditions. Shareholders are therefore urged to exercise caution when dealing in the Shares.

As at the date of this circular, the Board comprises four executive Directors, namely Mr. Kam Yuen, Ms. Jin Lu, Mr. Lu Tian Long and Ms. Zheng Ting and three independent non-executive Directors, namely Prof. Cao Gang, Mr. Gao Zong Ze and Prof. Gu Qiao.

Yours attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board of
Golden Meditech Company Limited
Kam Yuen
Chairman & Chief Executive Officer

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)

Registered office:
Appleby Corporate Services
(Cayman) Limited
P.O. Box 1350 GT
Clifton House
75 Fort Street, George Town
Grand Cayman, Cayman Islands

24 November 2008

To the Independent Shareholders and Minority Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED SPIN-OFF AND DISPOSAL OF CCBS ACQUISITION OF PANTHEON CAYMAN'S ORDINARY SHARES (2) PROPOSED WAIVER OF ASSURED ENTITLEMENTS AND (3) TERMINATION OF EXISTING SHARE OPTION SCHEME OF A SUBSIDIARY

We refer to the circular dated 24 November 2008 (the "Circular") to the shareholders of Golden Meditech Company Limited of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the Proposed Transaction and the Proposed Spin-off and the Minority Shareholders in respect of the Proposed Waiver, details of which are set out in the letter from the Board contained in the Circular. None of us has any material interest in the Proposed Transaction, the Proposed Spin-off or the Proposed Waiver.

First Shanghai has been appointed as the independent financial adviser to advise us, the Independent Shareholders and the Minority Shareholders as to whether the terms of the Proposed Transaction and the Proposed Spin-off and the Proposed Waiver are fair and reasonable and whether the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are in the interests of the Company and its shareholders as a whole. We wish to draw your attention to the opinion letter from First Shanghai set out on pages 31 to 47 of the Circular.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver. We have also taken into account the principal factors and reasons considered by First Shanghai in forming its opinion in relation to the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver.

On the basis of the above, we consider, and agree with the view of First Shanghai, that the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable so far as the Shareholders are concerned and that the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be considered at the EGM to approve the Proposed Transaction and the Proposed Spin-off and the Minority Shareholders to vote in favour of the resolution to be considered at the EGM to approve the Proposed Waiver.

Yours faithfully,
Professor CAO Gang
Mr. GAO Zong Ze
Professor GU Qiao
Independent Board Committee

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders in respect of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver for inclusion in this circular.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24 November 2008

To the Independent Board Committee,
the Independent Shareholders and
the Minority Shareholders

Dear Sirs or Madams,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED SPIN-OFF AND DISPOSAL OF CCBS ACQUISITION OF PANTHEON CAYMAN'S ORDINARY SHARES AND (2) PROPOSED WAIVER OF ASSURED ENTITLEMENTS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Transaction and the Proposed Spin-off; and the Minority Shareholders on the Proposed Waiver, details of which are set out in the circular of the Company dated 24 November 2008 (the "**Circular**") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 3 November 2008, the Company, Pantheon, Pantheon Arizona, CCBS (indirectly non-wholly owned subsidiary of the Company) and CCBS Selling Shareholders entered into the Agreement in relation to, among others, the Proposed Transaction. Pursuant to the terms of the Agreement, among others, Pantheon Cayman will acquire 88.39% of the issued share capital in CCBS from the CCBS Selling Shareholders in exchange for in aggregate of 51,132,658 new ordinary shares of Pantheon Cayman. Certain remaining shareholders of CCBS subsequently elected to participate in the Proposed Transaction on the same terms and conditions of the Agreement and became, as contemplated by the

Agreement, the CCBS Selling Shareholders under the Agreement. As at the Latest Practicable Date, Pantheon Cayman agreed to acquire a total of 93.94% of the issued share capital of CCBS from the CCBS Selling Shareholders in exchange for Pantheon Cayman issuing an aggregate of 54,345,104 ordinary shares at an issue price of US$6.05 per share to the CCBS Selling Shareholders.

As at the Latest Practicable Date, Jayhawk, an associate of Mr. Kent McCarthy who is a substantial Shareholder, is a shareholder of CCBS. Accordingly, Jayhawk is a connected person of the Company under the GEM Listing Rules and the Proposed Transaction constitutes a connected transaction of the Company under the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Proposed Spin-off is subject to Independent Shareholders' approval at the EGM. In addition, the waiver of the assured entitlement required under the GEM Listing Rules is also subject to the approval of the Minority Shareholders by way of poll at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Prof. Cao Gang, Mr. Gao Zong Ze and Prof. Gu Qiao, has been established to advise the Independent Shareholders and the Minority Shareholders on the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Minority Shareholders in this regard.

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Group and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have reviewed, among other things, (i) the accountants' report on Pantheon prepared by Shu Lun Pan Horwath Hong Kong CPA Limited as contained in Appendix II to the Circular; and (ii) the unaudited pro forma financial information of the Group as contained in Appendix III to the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have sought confirmation from the Directors that no material facts or information have been omitted from the information supplied and/or opinions expressed. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and Pantheon.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver, we have taken into account the following principal factors and reasons:

1. **Information of the Group**

The Group is a healthcare provider in China. The principal businesses and operations of the Group consist of the medical device segment and the cord blood bank segment. The medical device segment is principally engaged in development, manufacture, sales and distribution of professional medical apparatus and personal health monitoring devices. The cord blood bank segment primarily provides collection, processing, and storage services for cord blood stem cells of newborn babies. It is currently one of the leading cord blood banks in China and the single largest shareholder of Cordlife Ltd. ("Cordlife") which has cord blood bank operations in various Asia Pacific countries and is listed on the Australia stock exchange. According to the interim report of the Company for the six months ended 30 September 2008 (the "2008 Interim Report"), turnover of the Group for the six months ended 30 September 2008 amounted to approximately HK$241.1 million, of which approximately 61.1% and 38.9% were contributed from the medical device segment and the cord blood bank segment respectively. In addition to its medical device and cord blood bank segments, the Group also has investment in other healthcare project.

2. **Information of the CCBS Group**

CCBS is an investment holding company and indirectly owned as to approximately 50.25% by the Company as at the Latest Practicable Date.

The CCBS Group primarily provides collection, processing and storage services of cord blood of newborn babies. CCBS Group is the first and the only cord blood storage service provider to have more than one license in China. As set out in the letter from the Board in the Circular, there were only six licenses in China for the provision of umbilical cord blood stem cells banking, where the Group owned the exclusive operating licenses in Beijing and Guangdong province.

In addition, in October 2008, CCBS became the single largest shareholder of Cordlife which is listed on the Australia stock exchange. Cordlife not only owns an exclusive license for operating cord blood bank services in Indonesia and the only operating license issued to a foreign entity in India, but also has operations in other locations such as Hong Kong, Macau, Australia, Singapore, Thailand and the Philippines.

According to the audited consolidated financial statements of the CCBS Group prepared in accordance with the Hong Kong Financial Reporting Standards, the CCBS Group recorded net profit attributable to the shareholders of CCBS of approximately HK$23.2 million and HK$59.2 million for the two years ended 31 March 2008 respectively. The audited net assets attributable to the equity shareholders of CCBS amounted to approximately HK$640.0 million as at 31 March 2008.

3. **Information of Pantheon**

Pantheon is a blank check company organized for the purpose of acquiring through asset acquisition or other similar business combination, or through contractual arrangements, an operating business that has its principal operations located in China.

On 20 December 2006, Pantheon consummated its initial public offering (the "IPO") and raised a total net proceeds of approximately US$33.7 million. Among the net proceeds raised, approximately US$32.7 million was deposited into a trust fund and the remaining proceeds of approximately US$1.0 million became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. There was approximately US$34.1 million held in the trust fund as at 30 June 2008. The amount held in the trust fund that are not used to consummate a business combination, together with any other net proceeds not expended, will be disbursed to the combined company and will be used as working capital to finance the operations of the target business.

As set out in the letter form the Board in the Circular, if Pantheon does not consummate a business combination by 14 December 2008, Pantheon will be subject to mandatory liquidation and its corporate existence will cease where the amount held in the trust fund and the remaining net assets will be distributed to Pantheon's public shareholders. A special general meeting of Pantheon will be held on 14 December 2008 for the shareholders of Pantheon to approve an amendment to Pantheon's certificate of incorporation to, among others, extend the time available for it to consummate a business combination from 14 December 2008 to 30 September 2009.

As at the Latest Practicable Date, the securities of Pantheon are quoted on the OTC Bulletin Board in the US. After Completion, the securities of Pantheon Cayman, its successor and surviving entity, will be quoted on the OTC Bulletin Board in the US instead.

Financial information of Pantheon

Set out below is a summary of the audited results of Pantheon for the period from 10 April 2006 (date of inception) to 31 December 2006, the year ended 31 December 2007 and the six months ended 30 June 2008 as extracted from the accountants' report on Pantheon set out in Appendix II to the Circular:

	Period from 10 April 2006 to 31 December 2006	**Year ended 31 December 2007**	**Six months ended 30 June 2008**
	US$	*US$*	*US$*
	(audited)	*(audited)*	*(audited)*
Turnover	—	—	—
Loss before income tax	(4,067,014)	(604,579)	(266,459)
Loss for the period	(4,067,014)	(604,579)	(266,459)

As Pantheon has not consummated a business combination since its inception on 10 April 2006, it did not record any turnover for the period from 10 April 2006 to 31 December 2006, the year ended 31 December 2007 and the six months ended 30 June 2008. Nevertheless, since Pantheon (i) incurred IPO expenses of approximately US$4.0 million for the period from 10 April 2006 to 31 December 2006; (ii) continued to incur general and administrative expenses, including travel expenses, consulting fees and professional fees required for the performance of due diligence on prospective business combinations, since its inception on 10 April 2006; and (iii) recorded net loss from its investment on financial assets and interest income, Pantheon recorded losses of approximately US$4.1 million, US$605,000 and US$266,000 for the period from 10 April 2006 to 31 December 2006, the year ended 31 December 2007 and the six months ended 30 June 2008 respectively.

The following table summarizes the audited balance sheets of Pantheon as at 31 December 2007 and 30 June 2008 as extracted from the accountants' report on Pantheon set out in Appendix II to the Circular:

	As at 31 December 2007	**As at 30 June 2008**
	US$	*US$*
	(audited)	*(audited)*
Non-current assets	—	—
Current assets	34,181,219	34,359,904
Total assets	**34,181,219**	**34,359,904**
Current liabilities	(36,136,761)	(36,581,905)
Non-current liabilities	—	—
Total liabilities	**(36,136,761)**	**(36,581,905)**
Net liabilities	**(1,955,542)**	**(2,222,001)**

Pantheon had no non-current assets as at 31 December 2007 and 30 June 2008; while it had current assets of approximately US$34.2 million and US$34.4 million as at 31 December 2007 and 30 June 2008 respectively. The current assets of Pantheon were principally the net proceeds raised in the IPO deposited in a trust account, which accounted for approximately 98.5% and 99.2% of the current assets of Pantheon as at 31 December 2007 and 30 June 2008 respectively.

Pantheon had no non-current liabilities as at 31 December 2007 and 30 June 2008; while it had current liabilities of approximately US$36.1 million and US$36.6 million as at 31 December 2007 and 30 June 2008 respectively. The current liabilities of Pantheon were principally common stock subject to possible redemption. As detailed in note (11) to the accountants' report on Pantheon contained in Appendix II to the Circular, the common stock of Pantheon sold in the IPO is subject to redemption if (i) with respect to a business combination which is approved and consummated, any stockholder other than the founding stockholders (the "Public Stockholders) who voted against the business combination may demand that Pantheon redeem his or her shares; or (ii) if Public Stockholders owning 20% or more of the shares sold in the IPO vote against the business combination and exercise their redemption rights, the business combination will not be consummated and the Public Stockholders who voted against the business combination may demand that Pantheon redeem his or her shares. Common stock subject to possible redemption accounted for approximately 95.5% and 94.3% of the current liabilities of Pantheon as at 31 December 2007 and 30 June 2008 respectively.

4. **Principal financial and commercial reasons for the Proposed Transaction and the Proposed Spin-off**

Financial benefits of the Proposed Transaction and the Proposed Spin-off

The Proposed Transaction and the Proposed Spin-off will benefit the CCBS Group and Pantheon Cayman by:

(i) creating a clearer credit profile for financial institutions who wish to lend against the credit of a pure cord blood banking company;

(ii) enabling the CCBS Group to raise funds through Pantheon Cayman whose securities will be quoted on the OTC Bulletin Board in the US and will apply for listing on The New York Stock Exchange; and

(iii) enabling the CCBS Group to optimize its valuation potential given the familiarity of the US investors with cord blood bank businesses which in turn will also enhance the value of the Shares.

The Proposed Transaction and the Proposed Spin-off also enable the Group to (i) realize its investments in the CCBS Group; and (ii) raise future funds focusing on the business development and potentials of the Remaining Group after Completion.

Commercial benefits of the Proposed Transaction and the Proposed Spin-off

After Completion, the management team of the CCBS Group and the Remaining Group can focus on the respective businesses of the two groups, which will enhance the operation efficiency and business development of the two groups. The Proposed Transaction and the Proposed Spin-off also enable the CCBS Group to build up its own identity as an independently listed entity via Pantheon Cayman which will enhance the transparency of the business performance of the CCBS Group and allow the investors to appraise and assess the potential, performance and value of the CCBS Group separately. In addition, being the main operation of a listed entity, it also allows the CCBS Group to attract and retain highly qualified professionals in its business. In the future, with the international visibility, reputation and corporate profile in its industry through Pantheon Cayman, the CCBS Group can also benefit from the growth potential in the cord blood banking business in China.

In summary, we are of the view that the Proposed Transaction and the Proposed Spin-off will provide better transparency, increase management's focus on future business opportunities and enhance access to capital markets for financing future expansion for the CCBS Group. In addition, it will also enable the Group to realize its investment in the CCBS Group and become more focused on the business of the Remaining Group. After Completion, the Group will remain as the controlling shareholder of CCBS and will be able to reap the benefits of the future development of the CCBS Group.

5. **Principal terms of the Proposed Transaction**

(i) *Principal elements of the Proposed Transaction*

(a) The Share Exchange and possible purchase of common shares of Pantheon

Share Exchange

Pursuant to the terms of the Agreement, among others, the CCBS Selling Shareholders will transfer their respective shares in CCBS, representing approximately 93.94% of the entire issued share capital of CCBS, to Pantheon Cayman in exchange for an aggregate of 54,345,104 shares of Pantheon Cayman at the issue price of US$6.05 per share of Pantheon Cayman, which values the entire interest of the CCBS Group at approximately US$350 million (equivalent to approximately HK$2,730 million) (the "CCBS Valuation").

Possible purchase of common shares of Pantheon

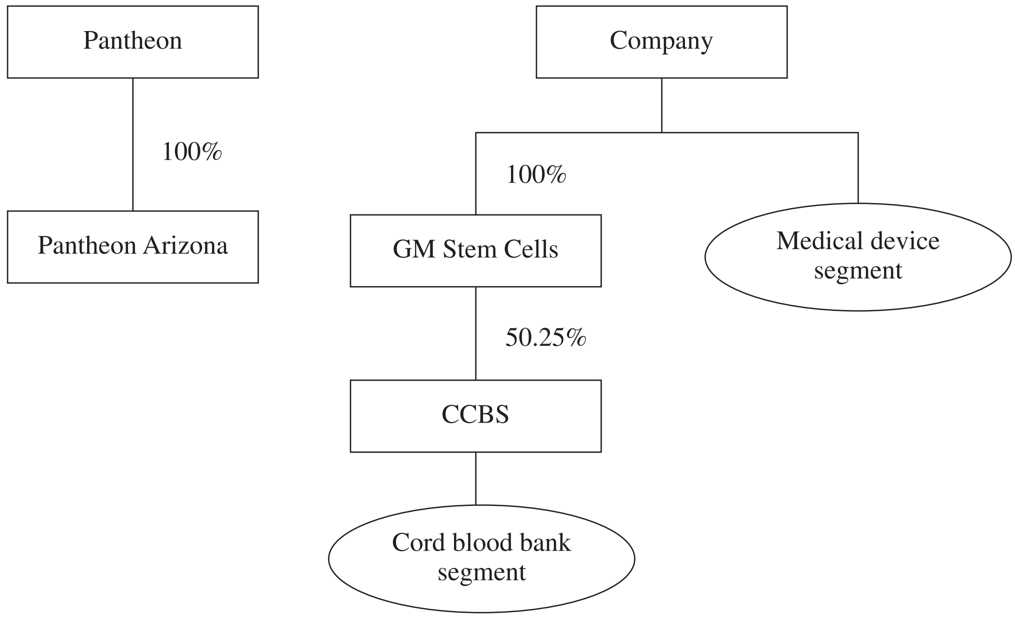
To facilitate completion of the Proposed Transaction, the terms of the Agreement provide that, to the extent necessary, practicable and permitted under the applicable laws and after obtaining all relevant approvals from the Company's shareholders, the Company will purchase, or procure the purchase of, Pantheon's common shares for the purpose of assisting in the successful completion of the Proposed Transaction.

Upon Completion and assuming (i) the Company does not purchase any common shares of Pantheon in the manner described in subsection (f) of the section headed "The Proposed Transaction" in the letter from the Board in the Circular; (ii) no holders of the shares of Pantheon sold in the IPO requests redemption of their shares; and (iii) the outstanding warrants and options of Pantheon Cayman have not been exercised, the Company will be indirectly interested in approximately 47.38% and 44.51% of the equity interest of Pantheon Cayman and CCBS respectively (the "Minimum Shareholding Scenario").

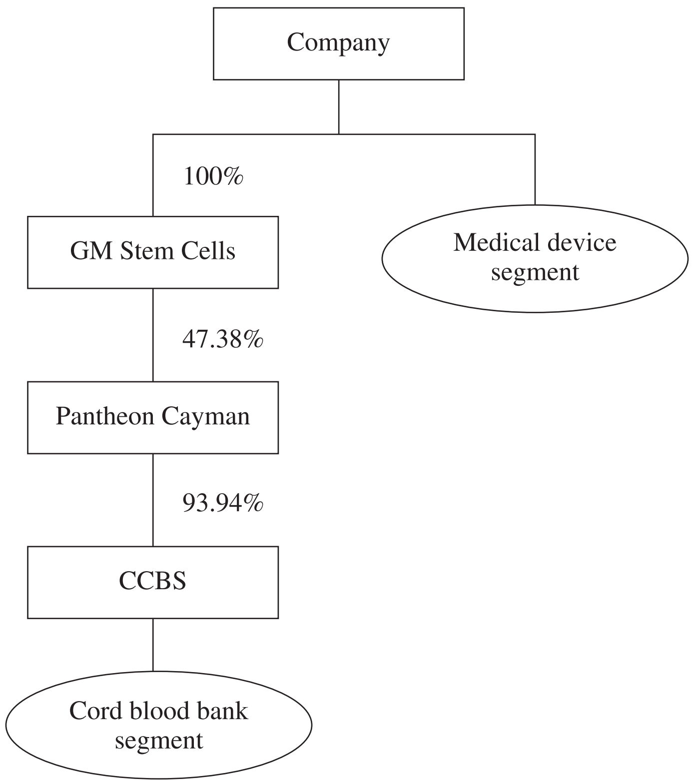
For illustrative purpose of our assessment of the effect of the Proposed Transaction on the Group, assuming (i) the Company purchases 80.01% of the shares of Pantheon sold in the IPO so as to assist the Completion; (ii) the remaining 19.99% of the holders of the shares of Pantheon sold in the IPO request redemption of their shares; and (iii) the outstanding warrants and options of Pantheon Cayman have not been exercised, the Company will be indirectly interested in approximately 55.93% and 52.54% of the equity interest of Pantheon Cayman and CCBS respectively (the "Maximum Shareholding Scenario").

The organization structure of the Group and Pantheon prior to and after Completion under both of the Minimum Shareholding Scenario and the Maximum Shareholding Scenario in simplified form are illustrated below:

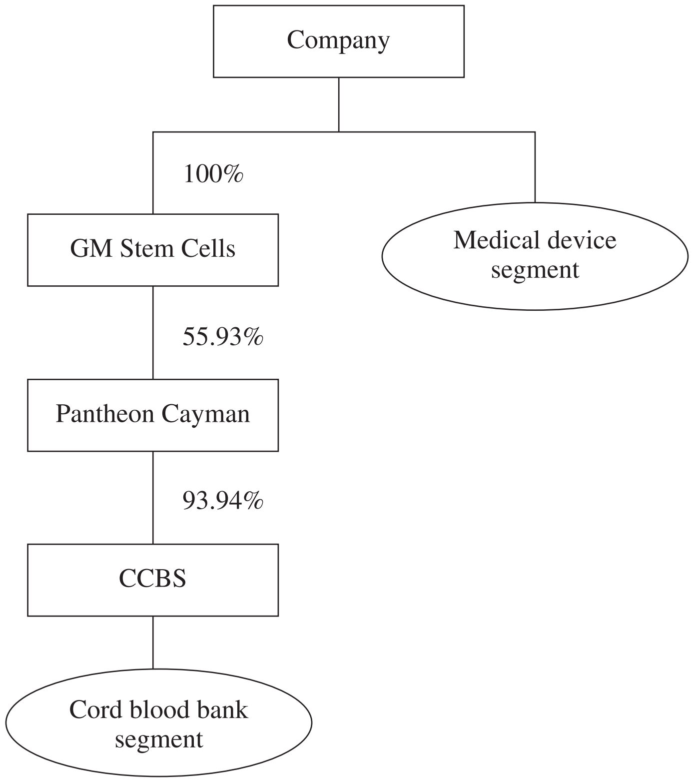
Prior to Completion



After Completion under the Minimum Shareholding Scenario



After Completion under the Maximum Shareholding Scenario



The Proposed Transaction is deemed to constitute the Company's spin-off of the CCBS Group under PN 3.

(b) Issuance of warrants by Pantheon Cayman

Pursuant to the terms of the Agreement, Pantheon Cayman will issue warrants with right to purchase ordinary shares of Pantheon Cayman subject to performance target to the Senior Management as an incentive scheme. If the year-on-year increase in the number of new cord blood subscribers for each of the three years ending 31 March 2011 is not less than 30%, warrants to purchase up to 2,500,000, 3,000,000 and 3,500,000 ordinary shares of Pantheon Cayman will be issued to the Senior Management respectively. The exercise price of these warrants will be the lower of (i) US$5.00 per share; and (ii) the market price of an ordinary share of Pantheon Cayman on the issuance date. All such warrants issued will expire on the fifth anniversary of the issuance date. As at the Latest Practicable Date, the Company had not yet identified members of the Senior Management to whom the warrants will be awarded. Details of the terms of the warrants are contained in the letter from the Board in the Circular.

(c) Adoption of new share option plan of Pantheon Cayman

CSC had adopted the CSC Scheme, which was approved by the Shareholders at the extraordinary general meeting of the Company held on 21 September 2006. Effective at Completion or as soon as practicable thereafter, Pantheon Cayman will adopt the Pantheon

Cayman Scheme to replace the CSC Scheme which will be terminated at the same time. For all the outstanding share options under the CSC Scheme, they will be amended to the effect that they will be exercisable for ordinary shares of Pantheon Cayman in lieu of ordinary shares of CSC, and they will be governed by the rules of the Pantheon Cayman Scheme. If Pantheon Cayman becomes a subsidiary of the Company at Completion, the Company will ensure that the Pantheon Cayman Scheme will comply with the requirements under Chapter 23 of GEM Listing Rules and any other applicable laws and stock exchange requirements. Details of the CSC Scheme and the Pantheon Cayman Scheme are contained in the letter from the Board in the Circular.

As at the Latest Practicable Date, there were outstanding options to subscribe for a total of 100,000 ordinary shares of CSC under the CSC Scheme. All these options have been fully vested and none of them was exercised, cancelled or lapsed as at the Latest Practicable Date.

We understand that the Proposed Transaction including, among others, the merger of Pantheon into Pantheon Arizona; the conversion of Pantheon Arizona to Pantheon Cayman; the Share Exchange and the possible purchase of the shares of Pantheon by the Company, is to facilitate the separate listing of the CCBS Group through the existing trading platform of Pantheon on the OTC Bulletin Board in the US. In addition, the issuance of warrants and adoption of new share option plan of Pantheon Cayman are to provide incentive to the Senior Management and to replace the CSC Scheme respectively, which is for the future development of Pantheon Cayman (including the CCBS Group). Since the Proposed Transaction, especially the Share Exchange, is to facilitate the separate listing of the CCBS Group, in considering the terms of the Proposed Transaction, we focus our analysis on the valuation of the CCBS Group as implied by the Share Exchange.

(ii) *Valuation of the CCBS Group*

As mentioned above, the Share Exchange represents an agreed valuation of the CCBS Group at approximately US$350.0 million (equivalent to approximately HK$2,730.0 million).

In order to assess the fairness and reasonableness of the CCBS Valuation, we have reviewed and compared, to the best of our knowledge, market statistics of companies listed in stock markets in Asia Pacific which are principally engaged in the cord blood bank business (the “Comparable Companies”). The table below illustrates the comparison of the historical price to earnings (P/E) ratio and price to book (P/B) ratio represented by the CCBS Valuation with the ratios at which all the Comparable Companies that we have identified based on the aforesaid criteria are currently trading:

Companies	Country of listing	Market capitalization	P/E ratio	P/B ratio
		HK$ million	*times*	*times*
Bionet Corp.	Taiwan	222.0	13.63	1.93
Medi Post Co., Ltd.	Korea	256.3	23.00	1.03
Inno Gnd Inc.	Korea	58.7	net loss	0.58
Cordlife	Australia	106.4	net loss	0.61
Average			**18.32**	**1.04**
The CCBS Group *(note)*		**2,730.0**	**46.11**	**4.27**

Sources: Bloomberg

Note: The market capitalization of the CCBS Group represents the agreed valuation of the entire CCBS Group of approximately US$350.0 million (equivalent to approximately HK$2,730.0 million). While the P/E and P/B ratios of CCBS Group are calculated based on (i) the market capitalization of the CCBS Group; (ii) the net profit attributable to the shareholders of CCBS for the year ended 31 March 2008; and (iii) the audited net asset value of the CCBS Group as at 31 March 2008.

The Comparable Companies are currently trading at historical P/E ratios ranging from approximately 13.63 times to 23.00 times, with a mean of approximately 18.32 times; while their historical P/B ratios ranged from approximately 0.58 times to 1.93 times, with a mean of approximately 1.04. Both the historical P/E and P/B ratios represented by the CCBS Valuation are above the corresponding ratios of the Comparable Companies which means the Group is disposing its interest in the CCBS Group at a valuation higher than the Comparable Companies. Based on the above, we consider the Proposed Transaction is in the interests of the Company and the Shareholders as a whole.

(iii) *Proposed Waiver*

Practice Note 3 of the GEM Listing Rules requires the Company to have due regard to the interests of the Shareholders by providing them with a means to participate in the Proposed Spin-off, either through a free distribution of shares or by preferential applications. However, the Directors consider that the provision of assured entitlement to the Shareholders is unduly burdensome under the circumstances. Accordingly, the Company would like to seek a waiver of the assured entitlement from the Minority Shareholders at the EGM. The principal reasons for the Proposed Waiver are as follows:

Economic benefits

If the assured entitlement is being offered to the Minority Shareholders, a prospectus being registered in Hong Kong is required and the preparation of which is time-consuming and prohibitively expensive. It will also affect the profitability of the CCBS Group which, in turn, will affect the

Group's sharing of profit from the CCBS Group as well. Accordingly, given the abovementioned time and monetary cost for the preparation of a prospectus and the shares to be offered under assured entitlement represent only a small portion of the shares offered by Pantheon Cayman, the Directors do not consider assured entitlement as the appropriate means to achieve the protection of the Minority Shareholders.

Business decision

As set out in the letter from the Board in the Circular, the Directors consider one of the reasons for proceeding the Proposed Transaction is to tap into the US shareholders pool for the CCBS Group and the provision of the assured entitlement would defeat such objective.

Practical difficulties

Since the shares of Pantheon Cayman will be quoted on the OTC Bulletin Board in the US and the size of assured entitlement is limited, the Directors consider that providing the assured entitlement will cause practical difficulties to the Shareholders, including, among others, (i) opening trading accounts with registered brokers in the US; and (ii) brokerage fee involved in the US per transaction, and the costs involved would likely outweigh the value received by the Shareholders in most cases. In addition, Shareholders who are only entitled to fractional securities will not be able to subscribe for fractional securities and benefit from the assured entitlement.

Precedent cases

In assessing the fairness and reasonableness of the Proposed Waiver, we have also reviewed, to the best of our knowledge, instances of companies' proposed spin-off or separate listing of their subsidiaries on overseas stock markets since 2000 as below:

Stock code	Company name	Spin-off business	Stock exchange	Date of announcement	Assured entitlement
8190	Goldmond Holdings Limited	Diamond Technologies Holdings Limited	Singapore	10-Apr-08	Waived
142	First Pacific Company Limited	PT Salim Ivomas Pratama	Singapore	21-Dec-06	Yes
200	Melco International Development Limited	Melco PBL Entertainment (Macau) Limited	Nasdaq	25-May-06	Yes
13	Hutchison Whampoa Limited	Hutchison China Meditech Limited	London-AIM	7-Arp-06	Yes
13	Hutchison Whampoa Limited	3 ITALIA S.p.A	Italy	20-Sep-05	Yes
1174	Pacific Andes International Holdings Ltd.	China Fishery Group Limited	Singapore	26-May-05	Waived

Stock code	Company name	Spin-off business	Stock exchange	Date of announcement	Assured entitlement
688	China Overseas Land & Investment Limited	China Overseas Property Group Co., Ltd.	Shanghai	28-Sep-04	Waived
8083	SYSCAN Technology Holdings Limited	SYSCAN Manufacturing Limited/ SYSCAN Inc.	Nasdaq	12-May-04	Waived
267	CITIC Pacific Limited	Jiangsu CP Xingcheng Special Steel Co., Ltd.	Shanghai	2-Apr-03	Waived
532	Wong's Kong King International (Holdings) Ltd.	Taiwan Kong King Company Limited	Taiwan	18-Jun-02	Waived
392	Beijing Enterprises Holdings Limited	Beijing Sanyuan Foods Co., Ltd.	Shanghai	1-Apr-02	Waived
330	Esprit Holdings Limited	Esprit Europe AG	Frankfurt	18-May-00	Waived

Sources: HKEx website, announcements and circulars of respective companies involved

As shown in the table above, only 4 out of the 12 Hong Kong listed issuers' proposed spin-off or separate listing of their subsidiaries on overseas stock exchanges during this period made assured entitlements available to their shareholders. The principal reasons for those companies not providing assured entitlements to their shareholders were principally legal prohibitions, time and cost ineffectiveness and being not economical.

Having considered the economic benefits, practical difficulty and business decision considered by the Directors and the precedent cases as discussed above, we consider the Proposed Waiver is in the interests of the Company and the Minority Shareholders as a whole.

6. **Effects of the Proposed Transaction and the Proposed Spin-off on the Group**

Currently, the CCBS Group is indirectly owned as to 50.25% by the Company. As mentioned in the section headed "Principal terms of the Proposed Transaction" above, the Company would be interested in approximately 47.38% or 55.93%, for illustrative purpose only, of the common shares of Pantheon Cayman after Completion.

Minimum Shareholding Scenario

Under the Minimum Shareholding Scenario, the CCBS Group will cease to be a subsidiary of the Group and Pantheon Cayman (including the CCBS Group) will become an associate of the Group after Completion.

(i) Effect on earnings of the Group

After Completion, results of the CCBS Group will cease to be consolidated into the income statement of the Group; while the Group's interest in Pantheon Cayman (including the CCBS Group) will be equity accounted for under share of associate's profit in the consolidated income statement of the Group.

As set out in the letter from the Board in the Circular, based on the difference between Pantheon Cayman's net assets value attributable to the Company after the Proposed Transaction and CCBS's net asset value attributable to the Company immediately prior to the Proposed Transaction, assuming that the outstanding warrants and options of Pantheon Cayman have not been exercised, it is estimated that the Company will record a gain of approximately HK$84.2 million in relation to the deemed disposal of interest in CCBS upon the Completion. After Completion, the Group's effective interest in the CCBS Group will be diluted from 50.25% to 44.51% and the profit contribution from the CCBS Group to the Group would be reduced as a result of such dilution. We are of the view that, save for the expected one-off gain in relation to the deemed disposal of interest in CCBS upon the Completion and the dilution effect as mentioned above, the Proposed Transaction including the Proposed Spin-off will not have any material adverse effect on the earnings of the Group.

(ii) Effect on net assets of the Group

After Completion, assets and liabilities of the CCBS Group will cease to be consolidated in the balance sheet of the Group; while the Group's interest in Pantheon Cayman (including the CCBS Group) will be equity accounted for under interests in associates in the consolidated balance sheet of the Group.

Based on the unaudited pro forma financial information of the Group as contained in Appendix III to the Circular, assuming the Proposed Transaction had been taken place as at the relevant balance sheet dates, the consolidated net assets of the Group will decrease by approximately 7.1% to approximately HK$3,290.7 million which is mainly attributable to the decrease in the Group's effective interest in the CCBS Group and the Group will no longer account for 100% net assets of the CCBS Group. Based on the total borrowings of the Group of approximately HK$370.6 million as at 30 September 2008, the above decrease in net assets of the Group will increase the gearing ratio (total borrowings over net assets) of the Group from approximately 10.5% to approximately 11.3%.

(iii) Effect on cash flow of the Group

Assuming the Company will not purchase any common shares of Pantheon or Pantheon Cayman (as the case maybe), having considered that the Proposed Transaction does not involve any cash consideration, the Proposed Transaction will not have material effect on the cash flow of the Group.

Maximum Shareholding Scenario

Under the Maximum Shareholding Scenario, Pantheon Cayman will become a subsidiary of the Group and the CCBS Group will remain as a subsidiary of the Group after Completion.

(i) Effect on earnings of the Group

After Completion, results of Pantheon Cayman (including the CCBS Group) will be consolidated into the accounts of the Group. Having considered that the Group will continue to consolidate the results of the CCBS Group and will consolidate the results of Pantheon Cayman after Completion, we are of the view that the Proposed Transaction including the Proposed Spin-off will not have any material effect on the earnings of the Group.

(ii) Effect on net assets of the Group

After Completion, assets and liabilities of Pantheon Cayman (including the CCBS Group) will be consolidated into the balance sheet of the Group. Based on the unaudited pro forma financial information on the Group as contained in Appendix III to the Circular which assumed that (a) the Proposed Transaction had been taken place as at the relevant balance sheet dates; (b) the Company had purchased 4,600,575 shares of Pantheon; and (c) 19.99% of the holders of the shares of Pantheon sold in the IPO requested redemption of their shares, the consolidated net assets of the Group will increase by 0.2% to approximately HK$3,551.7 million. As a result of the slight increase in net assets of the Group, the gearing ratio (total borrowings over net assets) of the Group will decrease slightly from approximately 10.5% to approximately 10.4% after Completion.

(iii) Effect on cash flow of the Group

Notwithstanding the Proposed Transaction does not involve any cash consideration, the Company may have to purchase common share(s) of Pantheon or Pantheon Cayman (as the case maybe) pursuant to the terms of the Agreement. Based on the unaudited pro forma financial information on the Group as contained in Appendix III to the Circular which assumed the Proposed Transaction had been taken place as at the relevant balance sheet dates and the Company had acquired 4,600,575 shares of Pantheon, the Proposed Transaction will increase the cash position of the Group by approximately HK$10.5 million as a result of the consolidation of the cash and bank balance of Pantheon and the Group's cash outflow for the purchases of the shares of Pantheon. However, the above figures are for reference purpose only and the final amounts will be determined on the number, and price, of shares of Pantheon or Pantheon Cayman (as the case maybe) to be purchased by the Company, if required.

Business of the Remaining Group

After the Completion, in addition to its indirect interest in the CCBS Group, the Remaining Group will continue its business in the medical device segment.

We understand that the business of the Remaining Group was the major business of the Group at the time when the Shares were first listed on GEM in 2001. The Remaining Group's business has always been a significant part of the whole business portfolio of the Group.

In addition to the Remaining Group's existing business, the Directors advised us that it is the strategy of the Remaining Group to acquire and develop other healthcare projects in China, including healthcare projects with good investment returns and synergy effects with the business of the Remaining Group.

Based on the information extracted from the audited consolidated financial statements of the Group as set out in Appendix I to the Circular, the medical device segment of the Group recorded a segment revenue of approximately HK$283.3 million and a segment result of approximately HK$200.9 million for the year ended 31 March 2008. According to the 2008 Interim Report, the medical device segment of the Group recorded a segment revenue of approximately HK$147.3 million and a segment result of approximately HK$98.8 million for the six months ended 30 September 2008. We understand from the Directors that Autologous Blood Recovery System ("ABRS") and the disposable chambers used in the ABRS products will continue to contribute a steady and growing income to the medical device segment of the Group; while the two new devices approved by the State Food and Drug Administration of China, namely the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump, will also contribute to the sales and growth of the medical device segment of the Group in the future.

We understand that the Proposed Spin-off will not affect the business operation of the Remaining Group and the listing status of the Company. After Completion, the Remaining Group will continue its existing business and will continue to reap the benefit of the future development of the CCBS Group through its controlling shareholding in Pantheon Cayman. Accordingly, we consider the Proposed Transaction will not prejudice the Shareholders' interest in the Group.

In addition, apart from the one common director who will sit on the board of the Remaining Group, CCBS and Pantheon Cayman, there will be no overlap of directors or senior management between the Remaining Group and the CCBS Group. After the Completion, the management teams of the Remaining Group and the CCBS Group will focus on the respective core businesses of the two groups.

7. **Conditions of the Proposed Transaction**

Your attention is drawn to the paragraph headed "Conditions" in the letter from the Board contained in the Circular. The Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are conditional on approval by the Independent Shareholders and the Minority Shareholders by way of poll at the EGM.

In addition to the approval by the Independent Shareholders and the Minority Shareholders, the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver will also be conditional on, among other things, the proxy statement soliciting for Pantheon's shareholders approval for the Proposed Transaction having been declared effective by the U.S. Securities and Exchange Commission; as well as the approval of the Proposed Transaction by the shareholders of Pantheon. Accordingly, the Proposed Transaction and the Proposed Spin-off may not proceed if these and other applicable conditions are not fulfilled.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as set out above, we are of the view that the terms of the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are fair and reasonable so far as the Shareholders are concerned and that the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders and the Minority Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Transaction, the Proposed Spin-off and the Proposed Waiver.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee
Managing Director

Fanny Lee
Executive Director

I. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2008

Set out below are the audited consolidated financial statements of the Group for the years ended 31 March 2008 and 31 March 2007 which are extracted from the annual report for the year ended 31 March 2008 of the Company.

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
Final dividend proposed after the balance sheet date	13	—	47,189

	Note	2008	2007
		$'000	*$'000*
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)

CONSOLIDATED BALANCE SHEET
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	

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Net current assets			1,217,941		711,217
Total assets less current liabilities			3,991,171		2,760,828
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

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

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	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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

		Attributable to equity shareholders of the Company												
	Note	**Share capital**	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Merger reserve**	**Exchange reserve**	**Surplus reserve**	**Fair value reserve**	**Other reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'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

	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

NOTES TO THE 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.

(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)).

(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.

(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.

(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.

(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.

(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.

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.

(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.

(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.

(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.

(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.

(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.

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.

(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.

(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.

(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.

(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	**2007**
	$'000	*$'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	2007
	$'000	*$'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	2007
	$'000	*$'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	2007
	$'000	*$'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

	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

(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

(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	Salaries, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'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

For the year ended 31 March 2007

	Directors fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'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)

(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)

(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

(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	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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

	Continuing operations				Discontinued operation					
	Medical Device		Cord Blood Bank		Natural Herbal Medicines		Inter-segment elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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.

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	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 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

	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

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

(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
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
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

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.

Name of company	Place of incorporation/ establishment and operations	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong")#	The PRC	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
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

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
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.

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 $'000	The Group 2007 $'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
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	Liabilities	Equity	Revenues	Profit/(loss)
	$'000	*$'000*	*$'000*	*$'000*	*$'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.

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	**2007**
	$'000	*$'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).

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.

(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.

(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.

(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	Future benefit of tax losses	Allowance for doubtful debts	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'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)

(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**

		2008		2007	
	Note	**No. of shares** *('000)*	*$'000*	**No. of shares** *('000)*	*$'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.

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	Highest price paid per share	Lowest price paid per share	Aggregate price paid
	('000)	*$*	*$*	*$'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.

(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.

(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.

(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).

(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.

(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.

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

	2008		2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$	*'000*	*$*	*'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).

(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.

(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		

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

	2008		2007	
	Weighted average exercise price	**Number of share options**	**Weighted average exercise price**	**Number of share options**
	$	*'000*	*$*	*'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.

(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	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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.

(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)

(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.

(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	**Chinese Renminbi Yuan**	**British Pounds Sterling**	**Australian Dollars**	**United States Dollars**	**Chinese Renminbi Yuan**
	'000	*'000*	*'000*	*'000*	*'000*	*'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	**Chinese Renminbi Yuan**	**United States Dollars**	**Chinese Renminbi Yuan**
	'000	*'000*	*'000*	*'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

(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**	**Effect on other components of equity**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**	**Effect on other components of equity**
		$'000	*$'000*		*$'000*	*$'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.

(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.

(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	**Fair value adjustments**	**Carrying values upon purchase**
	$'000	*$'000*	*$'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

(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.

II. SUMMARY OF FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 MARCH 2008

The following is a summary of the audited consolidated income statement of the Group for the years ended 31 March 2006, 31 March 2007 and 31 March 2008, the audited consolidated balance sheet of the Group as at 31 March 2006, 31 March 2007 and 31 March 2008, the consolidated statement of changes in equity and the consolidated cash flow statement for the years ended 31 March 2006, 31 March 2007 and 31 March 2008. The information upon which the summary is based has been fully extracted from the annual reports of the Company for the relevant years.

CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollars)

	Years ended 31 March		
	2006	**2007**	**2008**
	$'000	*$'000*	*$'000*
Turnover	280,300	331,134	421,147
Cost of sales	(83,275)	(96,621)	(122,036)
Gross profit	197,025	234,513	299,111
Other revenue	22,163	44,697	64,174
Other net (loss)/income	(130)	73,015	332,435
Selling expenses	(13,700)	(17,999)	(33,027)
Administrative expenses	(83,766)	(78,436)	(127,382)
Profit from operations	121,592	255,790	535,311
Finance costs	(12,431)	(10,817)	(20,628)
Gain on deemed disposal of an associate	116,571	—	—
Gain on partial disposal of an associate	322,218	—	—
Gain on deemed disposal of partial interests in jointly controlled entities	—	—	55,416
Share of profits less losses of associates	39,975	1,497	(3,683)
Share of profits of jointly controlled entities	—	34,100	72,340
Profit before taxation	587,925	280,570	638,756
Income tax	(11,863)	(15,818)	(24,244)
Profit for the year from continuing operations	576,062	264,752	614,512
Discontinued operation			
(Loss)/profit for the year from discontinued operation	(14,790)	(34,101)	99,141
Profit for the year	561,272	230,651	713,653
Attributable to:			
Equity shareholders of the Company	563,824	223,365	683,744
Minority interests	(2,552)	7,286	29,909
Profit for the year	561,272	230,651	713,653

	Years ended 31 March		
	2006	**2007**	**2008**
	$'000	*$'000*	*$'000*
Final dividend proposed after the balance sheet date	—	47,189	—
Earnings/(loss) per share			
Basic (in cents)			
— From continuing and discontinued operations	44.5	14.8	44.1
— From continuing operations	45.7	17.0	37.7
— From discontinued operation	(1.2)	(2.2)	6.4
Diluted (in cents)			
— From continuing and discontinued operations	42.7	14.3	42.4
— From continuing operations	43.8	16.4	36.3
— From discontinued operation	(1.1)	(2.1)	6.1

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	At 31 March					
	2006		2007		2008	
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets						
Fixed assets						
— Property, plant and equipment		298,813		267,838		347,274
— Interests in leasehold land held for own use under operating leases		4,811		5,293		4,299
		303,624		273,131		351,573
Intangible assets		523,845		516,581		85,488
Goodwill		74,450		74,450		67,169
Interests in associates		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
Other financial assets		61,316		77,007		481,819
Deferred tax assets		9,397		8,652		5,482
		1,638,331		2,049,611		2,773,230
Current assets						
Other investments	580		6,417		131,951	
Inventories	32,887		35,760		49,028	
Trade receivables	138,599		166,544		161,241	
Other receivables, deposits and prepayments	23,033		97,480		76,880	
Loans receivables	211,717		—		—	
Cash and bank balances	481,666		688,226		997,747	
	888,482		994,427		1,416,847	

	At 31 March					
	2006		2007		2008	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Current liabilities						
Trade payables	46,076		31,399		25,467	
Other payables and accruals	110,536		37,216		158,375	
Bank loans	37,913		110,122		9,000	
Current taxation	3,264		5,637		6,064	
Convertible bonds	—		98,836		—	
	197,789		283,210		198,906	
Net current assets		690,693		711,217		1,217,941
Total assets less current liabilities		2,329,024		2,760,828		3,991,171
Non-current liabilities						
Deferred income	14,833		35,161		79,967	
Other non-current liabilities	—		3,160		15,203	
Government grant	193		202		222	
Bank loans	96,674		—		342,815	
Convertible bonds	112,277		—		—	
		223,977		38,523		438,207
NET ASSETS		2,105,047		2,722,305		3,552,964
CAPITAL AND RESERVES						
Share capital		127,621		152,222		154,352
Reserves		1,928,377		2,407,932		3,078,546
Total equity attributable to equity shareholders of the Company		2,055,998		2,560,154		3,232,898
Minority interests		49,049		162,151		320,066
TOTAL EQUITY		2,105,047		2,722,305		3,552,964

BALANCE SHEET
(Expressed in Hong Kong dollars)

	At 31 March					
	2006		2007		2008	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Non-current assets						
Property, plant and equipment		43		4,331		3,131
Interests in subsidiaries		854,870		1,322,525		1,021,556
Other financial assets		—		—		399,077
		854,913		1,326,856		1,423,764
Current assets						
Other investments	—		6,417		28,523	
Amount due from a subsidiary	28,273		—		—	
Other receivables, deposits and prepayments	883		2,877		3,843	
Cash and bank balances	5,280		151,473		68,256	
	34,436		160,767		100,622	
Current liabilities						
Other payables and accruals	7,824		11,034		53,788	
Bank loans	37,913		9,000		9,000	
Convertible bonds	—		98,836		—	
	45,737		118,870		62,788	
Net current (liabilities)/ assets		(11,301)		41,897		37,834
Total assets less current liabilities		843,612		1,368,753		1,461,598
Non-current liabilities						
Bank loans		—		—		232,024
Convertible bonds		112,277		—		—
NET ASSETS		731,335		1,368,753		1,229,574
CAPITAL AND RESERVES						
Share capital		127,621		152,222		154,352
Reserves		603,714		1,216,531		1,075,222
TOTAL EQUITY		731,335		1,368,753		1,229,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

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

	Attributable to equity shareholders of the Company											Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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	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	(1,523)	(29,545)	1,523	—	—	—	—	—	—	(1,523)	(31,068)	—	(31,068)
Issue of shares upon conversion of convertible bonds	842	16,113	—	(1,079)	—	—	—	—	—	—	15,876	—	15,876
Transfer to surplus reserve	—	—	—	—	—	—	16,556	—	—	(16,556)	—	—	—
	24,601	548,874	1,523	2,566	—	—	16,556	—	(173,998)	(18,079)	402,043	103,302	505,345
At 31 March 2007	152,222	998,913	1,523	17,288	54,193	98,312	61,233	322,051	(173,998)	1,028,417	2,560,154	162,151	2,722,305

	Attributable to equity shareholders of the Company											Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	73,328	—	73,328	112,560	185,888
Shares repurchased and cancelled	(3,385)	(89,591)	3,385	—	—	—	—	—	—	(3,385)	(92,976)	—	(92,976)
Issue of shares upon conversion of convertible bonds	5,263	101,205	—	(6,740)	—	—	—	—	—	—	99,728	—	99,728
Issue of shares upon exercise of share options	10	160	—	(10)	—	—	—	—	—	—	160	—	160
Issue of shares for scrip dividend	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

STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital *$'000*	Share premium *$'000*	Capital redemption reserve *$'000*	Capital reserve *$'000*	Retained profits *$'000*	Total *$'000*
At 1 April 2005	126,413	437,028	—	9,263	59,128	631,832
Profit for the year	—	—	—	—	106,372	106,372
Dividend approved in respect of the previous year	—	—	—	—	(26,547)	(26,547)
Movements in equity arising from capital transactions:						
Equity settled share-based transactions	—	—	—	6,489	—	6,489
Issue of shares upon conversion of convertible bonds	421	7,579	—	(539)	—	7,461
Issue of shares upon exercise of share options	588	3,284	—	(491)	—	3,381
Issue of shares for scrip dividend	199	2,148	—	—	—	2,347
	1,208	13,011	—	5,459	—	19,678
At 31 March 2006	127,621	450,039	—	14,722	138,953	731,335

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Retained profits $'000	Total $'000
At 1 April 2006	127,621	450,039	—	14,722	138,953	731,335
Profit for the year	—	—	—	—	62,451	62,451
Movements in equity arising from capital transactions:						
Equity settled share-based transactions	—	—	—	2,571	—	2,571
Issue of shares	25,282	562,306	—	—	—	587,588
Shares repurchased and cancelled	(1,523)	(29,545)	1,523	—	(1,523)	(31,068)
Issue of shares upon conversion of convertible bonds	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

	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	—	—	—	—	(108,033)	(108,033)
Dividend approved in respect of the previous year	—	—	—	—	(47,189)	(47,189)
Movements in equity arising from capital transactions:						
Equity settled share-based transactions	—	—	—	701	—	701
Shares repurchased and cancelled	(3,385)	(89,591)	3,385	—	(3,385)	(92,976)
Issue of shares upon conversion of convertible bonds	5,263	101,205	—	(6,740)	—	99,728
Issue of shares upon exercise of share options	10	160	—	(10)	—	160
Issue of shares for scrip dividend	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

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Years ended 31 March		
	2006	**2007**	**2008**
	$'000	*$'000*	*$'000*
Operating activities			
Profit/(loss) before taxation			
— From continuing operations	587,925	280,570	638,756
— From discontinued operation	(24,187)	(32,952)	99,273
	563,738	247,618	738,029
Adjustments for:			
— Depreciation	22,027	18,808	21,131
— Amortisation of land lease premium	108	189	173
— Amortisation of intangible assets	10,791	30,685	23,894
— Write-back of other payables	(390)	—	—
— Interest income	(2,580)	(26,868)	(34,079)
— Transfer from equity on disposal of available-for-sale equity securities	—	(52,828)	(499,324)
— Net realised and unrealised (gain)/loss on trading securities and derivatives	—	(20,135)	149,449
— Net unrealised loss on financial assets at fair value through profit or loss	—	—	13,073
— Net loss/(gain) on disposal of property, plant and equipment	42	(74)	413
— Government grants	(2,711)	—	—
— Finance costs	12,431	10,817	20,628
— Gain on disposal of subsidiaries	—	—	(124,971)
— Gain on deemed disposal of partial interests in jointly controlled entities	—	—	(55,416)
— Gain on deemed disposal of an associate	(116,571)	—	—
— Gain on partial disposal of an associate	(322,218)	—	—
— Share of (profits) less losses of associates	(39,975)	(1,497)	3,683
— Share of profits of jointly controlled entities	—	(34,100)	(72,340)
— Impairment loss on construction in progress	11,185	—	—
— Equity-settled share based payment expenses	6,489	4,327	4,978
— Effect of foreign exchange rates	(1,311)	(3,030)	4,133
Operating profit before changes in working capital	141,055	173,912	193,454
Increase in non-current trade receivables	—	(5,320)	(15,167)
Increase in non-current prepayments	—	—	(18,751)
Increase in inventories	(4,307)	(1,325)	(8,430)
(Increase)/decrease in trade receivables	(12,023)	(21,422)	10,492
(Increase)/decrease in other receivables, deposits and prepayments	(125,998)	1,137	(10,173)
Decrease in trade payables	(6,327)	(16,846)	(7,217)
(Decrease)/increase in other payables and accruals	(44,865)	(78,554)	45,022
Increase in deferred income	8,807	19,630	41,444
Increase in other non-current liabilities	—	3,160	11,741

	Years ended 31 March		
	2006	**2007**	**2008**
	$'000	*$'000*	*$'000*
Cash (used in)/generated from operations	(43,658)	74,372	242,415
The People's Republic of China ("PRC") Income Tax paid	(11,767)	(13,560)	(28,771)
Net cash (used in)/generated from operating activities	(55,425)	60,812	213,644
Investing activities			
Payment for construction in progress	(6,648)	(5,536)	(90,038)
Proceeds from disposal of construction in progress	27,717	40,449	—
Proceeds from disposal of property, plant and equipment	202	728	68
Payment for acquisition of property, plant and equipment	(4,923)	(44,453)	(19,475)
Capital injection to associate	(17,611)	—	—
Proceeds from partial disposal of associate	425,494	—	—
Cash advances to associates	—	—	(21,555)
Payment for acquisition of jointly controlled entities	—	(174,181)	—
Proceeds from withdrawal of short-term deposits with original maturity over three months	38,198	—	—
Payment for financial assets at fair value through profit or loss	—	—	(77,999)
Payment for available-for-sale equity securities	—	(132,764)	(111,469)
Proceeds from disposal of available-for-sale equity securities	—	—	546,997
Payment for trading securities	—	(54,401)	(141,573)
Proceeds from sale of trading securities	—	64,515	39,101
Payment for purchase of minority interests	—	(224,012)	—
Earnest money for acquisition of subsidiary	—	(31,297)	(395,621)
Net cash inflow from acquisition of subsidiary	—	—	525
Net cash outflow from disposal of subsidiaries	—	—	(2,283)
Interest received	2,580	26,492	28,634
Net cash generated from/(used in) investing activities	465,009	(534,460)	(244,688)

	Years ended 31 March		
	2006	2007	2008
	$'000	*$'000*	*$'000*
Financing activities			
Proceeds from issue of ordinary shares	—	587,588	—
Payment for repurchase of shares	—	(31,068)	(92,976)
Proceeds from new bank loans	9,000	—	342,815
Repayment of bank loan	(28,257)	(28,913)	(101,122)
Contribution from minority shareholders	—	152,634	178,884
Proceeds from partial disposal of subsidiary	—	—	7,004
Proceeds from shares issued under share option scheme	3,381	—	160
Net proceeds from government grants	2,173	—	—
Dividend paid	(24,200)	—	(38,759)
Interest paid	(9,863)	(8,650)	(9,136)
Net cash (used in)/generated from financing activities	(47,766)	671,591	286,870
Net increase in cash and cash equivalents	361,818	197,943	255,826
Cash and cash equivalents at beginning of the year	117,847	481,666	688,226
Effect of foreign exchange rates changes	2,001	8,617	53,695
Cash and cash equivalents at end of the year	481,666	688,226	997,747

1. ACCOUNTANTS' REPORT OF PANTHEON

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

24 November 2008

The Directors
Golden Meditech Company Limited
48/F Bank of China Tower
1 Garden Road
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Pantheon China Acquisition Corp. ("Pantheon") for inclusion in the circular of Golden Meditech Company Limited (the "Company") dated 24 November 2008 (the "Circular") in connection with the proposed acquisition of the entire equity interests of Pantheon (the "Proposed Acquisition"), details of which are disclosed in the section headed "Letter from the Board" contained in the Circular. The Financial Information comprises the balance sheets of Pantheon as at 31 December 2006 and 2007 and 30 June 2008, and the income statements, the statements of changes in equity and the cash flow statements for the period from 10 April 2006 (date of inception) to 31 December 2006, the year ended 31 December 2007 and the six months ended 30 June 2008 (the "Relevant Periods"), and the unaudited comparative financial information of Pantheon for the six months ended 30 June 2007 (the "Comparative Financial Information"), and a summary of significant accounting policies and other explanatory notes.

Pantheon was incorporated in Delaware on 10 April 2006 with limited liability as a special purpose acquisition company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or control through contractual arrangements, an operating business that has its principal operations located in the People's Republic of China. Pantheon consummated the initial public offering of its securities on 20 December 2006 and its common stock and warrants are quoted on the Over-the-Counter Bulletin Board under the symbols PCQC and PCQCW respectively.

The financial statements of Pantheon for the period from 10 April 2006 (date of inception) to 31 December 2006 and the year ended 31 December 2007 were audited respectively by Goldstein Golub Kessler LLP, and McGladrey & Pullen, LLP, independent registered public accounting firms in the United States of America, which were prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP Accounts").

For the purpose of this report, the directors of Pantheon have also prepared the financial information of Pantheon for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs")("IFRS Statements") based on US GAAP Accounts and the management accounts of Pantheon. The Financial Information has been prepared based on IFRS Statements and no adjustments were necessary.

The directors of Pantheon are responsible for the preparation of the Financial Information and the Comparative Financial Information which give a true and fair view in accordance with IFRSs. This responsibility includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion and a review conclusion, on such financial information in respect of the Relevant Periods and for the six months ended 30 June 2007, respectively, and to report our opinion and review conclusion solely to you thereon.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

For the purpose of this report, we have audited the IFRS Statements of Pantheon in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

PROCEDURES PERFORMED IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have performed a review of the Comparative Financial Information which includes the income statement, the statement of changes in equity and the cash flow statement of Pantheon for the six months ended 30 June 2007, together with the notes thereto, for which the directors of Pantheon are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquiries of Pantheon's management and applying analytical procedures to the Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and provides a lower level of assurance than an audit or examination procedures described in the preceding paragraph and, accordingly, we do not express an audit opinion on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of Pantheon gives, for the purpose of this report, a true and fair view of the state of affairs of Pantheon as at 31 December 2006, 2007 and 30 June 2008 and of the results and cash flows of Pantheon for each of the Relevant Periods.

Without qualifying our opinion on the Financial Information for the Relevant Periods, we draw attention to Note 1 to the Financial Information which discloses that if Pantheon does not consummate a business combination by 14 December 2008, its corporate existence will cease and it will dissolve and liquidate for the purposes of winding up its affairs. As at the date of this report, Pantheon has not consummated a business combination. There is no assurance that Pantheon will be able to successfully effect a business combination. These conditions, along with other matters as set forth in Note 1 to the Financial Information, indicate the existence of a material uncertainty which may cast significant doubt about Pantheon's ability to continue as a going concern.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information of Pantheon for the six months ended 30 June 2007.

I. FINANCIAL INFORMATION

(a) INCOME STATEMENTS

	Notes	Period from 10 April 2006 (date of inception) to 31 December 2006 USD	Year ended 31 December 2007 USD	Six months ended 30 June 2007 USD (unaudited)	Six months ended 30 June 2008 USD
Turnover		—	—	—	—
General and administrative expenses		(29,841)	(578,494)	(290,616)	(258,881)
Fair value loss on held for trading financial assets		—	(50,980)	(16,521)	(14,622)
Expenses incurred in relation to initial public offering of common stock		(4,037,414)	—	—	—
Interest income		241	24,895	16,456	7,044
Loss before income tax	4	(4,067,014)	(604,579)	(290,681)	(266,459)
Income tax	6	—	—	—	—
Loss for the period		(4,067,014)	(604,579)	(290,681)	(266,459)
Loss per share	7				
— Basic		(3.39)	(0.48)	(0.23)	(0.21)

(b) **BALANCE SHEETS**

		As at 31 December		As at 30 June
		2006	**2007**	**2008**
	Notes	*USD*	*USD*	*USD*
ASSETS AND LIABILITIES				
Current assets				
Available-for-sale financial assets	8	—	—	99,000
Held for trading financial assets	9	—	145,270	95,817
Prepayments		20,500	37,298	15,334
Trust account	10	32,787,397	33,659,431	34,093,763
Cash and bank balances		920,135	339,220	55,990
		33,728,032	34,181,219	34,359,904
Current liabilities				
Amounts due to related parties	14(a)	37,000	38,910	49,660
Common stock subject to possible redemption	11	34,500,000	34,500,000	34,500,000
Deferred interest income attributable to common stock subject to possible redemption	11	39,897	1,211,931	1,646,263
Provision for underwriters' commission	12	345,000	345,000	345,000
Accrued expenses		135,756	23,713	40,982
United States franchise tax payable	13	21,342	17,207	—
		35,078,995	36,136,761	36,581,905
Net liabilities		(1,350,963)	(1,955,542)	(2,222,001)
EQUITY				
Share capital	16	125	125	125
Reserves	17	(1,351,088)	(1,955,667)	(2,222,126)
Total deficiencies		(1,350,963)	(1,955,542)	(2,222,001)

(c) **STATEMENTS OF CHANGES IN EQUITY**

	Share capital *USD* *(Note 16)*	**Share premium** *USD* *(Note 16)*	**Share options reserve** *USD* *(Notes 11 and 18)*	**Warrant reserve** *USD* *(Notes 17 and 18)*	**Accumulated deficit** *USD*	**Total equity** *USD*
Loss for the period	—	—	—	—	(4,067,014)	(4,067,014)
Issuance of common stock upon inception	125	24,875	—	—	—	25,000
Issuance of Options to the representative of the underwriters	—	—	1,441,051	—	—	1,441,051
Issuance of Type C Warrants	—	—	—	1,250,000	—	1,250,000
At 31 December 2006	125	24,875	1,441,051	1,250,000	(4,067,014)	(1,350,963)
Loss for the year	—	—	—	—	(604,579)	(604,579)
At 31 December 2007	125	24,875	1,441,051	1,250,000	(4,671,593)	(1,955,542)
Loss for the period	—	—	—	—	(266,459)	(266,459)
At 30 June 2008	125	24,875	1,441,051	1,250,000	(4,938,052)	(2,222,001)
At 1 January 2007	125	24,875	1,441,051	1,250,000	(4,067,014)	(1,350,963)
Loss for the period	—	—	—	—	(290,681)	(290,681)
At 30 June 2007 *(unaudited)*	125	24,875	1,441,051	1,250,000	(4,357,695)	(1,641,644)

(d) **CASH FLOW STATEMENTS**

	Period from 10 April 2006 (date of inception) to 31 December 2006	Year ended 31 December 2007	Six months ended 30 June 2007	Six months ended 30 June 2008
	USD	*USD*	*USD* *(unaudited)*	*USD*
Operating activities				
Loss before income tax	(4,067,014)	(604,579)	(290,681)	(266,459)
Adjustments for:				
Interest income	(40,138)	(1,196,929)	(600,328)	(441,376)
Deferred interest income attributable to common stock subject to possible redemption	39,897	1,172,034	583,872	434,332
Fair value loss on held for trading financial assets	—	50,980	16,521	14,622
Expenses incurred in relation to initial public offering of common stock	4,037,414	—	—	—
Operating cash flows before working capital changes	(29,841)	(578,494)	(290,616)	(258,881)
(Increase)/decrease in prepayments	(20,500)	(16,798)	(163)	21,964
Increase/(decrease) in related parties	37,000	1,910	(1,129)	10,750
Increase in accrued expenses	4,500	19,213	4,014	17,269
Increase/(decrease) in franchise tax payable	21,342	(4,135)	(15,871)	(17,207)
Cash generated from/(used in) operations	12,501	(578,304)	(303,765)	(226,105)
Interest received	241	24,895	16,456	7,044
Net cash generated from/(used in) operating activities	12,742	(553,409)	(287,309)	(219,061)

	Period from 10 April 2006 (date of inception) to 31 December 2006	Year ended 31 December 2007	Six months ended 30 June 2007	2008
	USD	*USD*	*USD* (unaudited)	*USD*
Investing activities				
Purchase of available-for-sale financial assets, net	—	—	—	(99,000)
(Purchase)/disposal of held for trading financial assets, net	—	(196,250)	(421,445)	34,831
Contribution to trust account	(33,739,436)	—	—	—
Withdrawals from trust account	991,936	300,000	—	—
Net cash (used in)/generated from investing activities	(32,747,500)	103,750	(421,445)	(64,169)
Financing activities				
Proceeds from issuance of common stock upon inception	25,000	—	—	—
Gross proceeds from issuance of common stock upon initial public offering	34,500,000	—	—	—
Proceeds from issuance of Type C Warrants	1,250,000	—	—	—
Proceeds from issuance of option	100	—	—	—
Payments of expenses associated with initial public offering	(2,120,207)	(131,256)	(131,256)	—
Net cash generated from/(used in) financing activities	33,654,893	(131,256)	(131,256)	—
Increase/(decrease) in cash and cash equivalents	920,135	(580,915)	(840,010)	(283,230)
Cash and cash equivalents at beginning of period	—	920,135	920,135	339,220
Cash and cash equivalents at end of period, representing cash and bank balances	920,135	339,220	80,125	55,990

II. NOTES TO FINANCIAL INFORMATION (Expressed in USD unless otherwise indicated)

1. GENERAL INFORMATION

Pantheon China Acquisition Corp. ("Pantheon") was incorporated in Delaware on 10 April 2006.

Pantheon is a special purpose acquisition company whose objective is to acquire, through a stock exchange, asset acquisition or other similar business combination, an operating business, or control such operating business through contractual arrangements, that has its principal operations located in the People's Republic of China ("PRC").

All activities from 10 April 2006 (date of inception) through 20 December 2006 relate to Pantheon's formation and initial public offering. Subsequent to 20 December 2006, Pantheon has been seeking a business combination with an operating business.

Pantheon's Amended and Restated Certificate of Incorporation provides for mandatory liquidation of Pantheon in the event that Pantheon does not consummate a business combination by 14 December 2008. If Pantheon has not completed a business combination by such date, its corporate existence will cease and it will dissolve and liquidate for the purposes of winding up its affairs. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including trust fund assets) will be less than the initial public offering price per share (assuming no value is attributed to the warrants contained in the Units sold in the Offering disclosed in Note 11).

Management is actively searching for a target company to acquire and to complete respective filing processes with the United States Securities and Exchange Commission ("SEC") as well as shareholder approval before 14 December 2008.

On the basis of the above, in the opinion of the directors of Pantheon, it would be appropriate to prepare the Financial Information on the going concern basis.

In the event that Pantheon is not able to consummate a business combination by 14 December 2008, it will be liquidated. The Financial Information has not included any adjustments that might arise from this going concern uncertainty.

The registration statement for the initial public offering ("Offering") of Pantheon was declared effective on 14 December 2006. Pantheon consummated the Offering on 20 December 2006. Simultaneous to the consummation of the Offering, certain of Pantheon's officers, directors and special advisors purchased an aggregate of 2,083,334 insider warrants from Pantheon in a private placement (the "Private Placement"). Type C Warrants sold in the Private Placement were identical to the warrants underlying the units sold in the Offering, except that if the warrants are called for redemption, Type C Warrants may be exercisable on a cashless basis. Pantheon received net proceeds from the Offering and the Private Placement of $33,153,914. Pantheon's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied towards consummating a business combination with an operating business that has its principal operations located in the PRC ("Business Combination"). Furthermore, there is no assurance that Pantheon will be able to successfully effect a Business Combination.

Upon the closing of the Offering, including the over-allotment option, an amount of $32,747,500 of the net proceeds was deposited in an interest-bearing trust account ("Trust Account") until the earlier of (i) the consummation of a Business Combination or (ii) liquidation of Pantheon. Under the agreement governing the Trust Account, funds will only be invested in United States "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 with a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. The placing of funds in the Trust Account may not protect those funds from third party claims against Pantheon. Although Pantheon will seek to have all vendors, prospective target businesses or other entities it engages, execute agreements with Pantheon waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, there is no guarantee that they will execute such agreements. Pantheon's Chairman of the Board, Chief Executive Officer and President has agreed that he will be personally liable under certain circumstances to ensure that the proceeds in the

Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Pantheon for services rendered, contracted for or products sold to Pantheon. However, there can be no assurance that he will be able to satisfy those obligations. The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Additionally, as per the trust agreement, $300,000 of interest earned on the Trust Account balance was released to Pantheon on 31 December 2007 to fund working capital requirements in 2008.

Pantheon, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the shares sold in the Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated.

All of the Pantheon's stockholders prior to the Offering, including all of the officers and directors of Pantheon ("Initial Stockholders"), have agreed to vote their 1,250,000 founding shares of common stock in accordance with the vote of the majority interest of all other stockholders of Pantheon ("Public Stockholders") with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that Pantheon convert his or her shares. The per share conversion price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value.

The Financial Information is presented in United States dollars ("USD").

The IASB has issued a number of new and revised IFRSs which are effective for the accounting periods beginning on or after 10 April 2006 and thereafter up to 1 January 2008. For the purpose of preparing and presenting in the Financial Information, Pantheon has adopted all these new and revised IFRSs throughout the Relevant Periods and for the six months ended 30 June 2007.

(b) **Impact of issued but not yet effective IFRSs**

At the date of authorisation of the Financial Information, the following new or revised IFRSs and International Financial Reporting Interpretations Committee ("IFRIC") interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
IAS 1 (Revised)	Presentation of financial statements	1 January 2009
IAS 23 (Revised)	Borrowing costs	1 January 2009
IAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 39 (Amendment)	Eligible hedged items	1 July 2009
IAS 39 (Amendment) and the consequential disclosure amendments to IFRS 7	Reclassification of financial assets	1 July 2008#
IFRS 2 (Amendment)	Share-based payment — Vesting conditions and cancellations	1 January 2009
IFRS 3 (Revised)	Business combinations	1 July 2009
IFRS 8	Operating segments	1 January 2009
IFRIC — Int 13	Customer loyalty programmes	1 July 2008
IFRIC — Int 15	Agreements for the construction of real estate	1 January 2009
IFRIC — Int 16	Hedges of a net investment in a foreign operation	1 October 2008
Various IASs and IFRSs	Improvements to IFRSs	1 January 2009* or 1 July 2009

* All the amendments will be effective for accounting periods beginning on or after 1 January 2009 except the amendments to IFRS 5 "Non-current assets held for sales and discontinued operations" which will be effective for accounting periods beginning on or after 1 July 2009.

\# The effective date of the amendments is 1 July 2008.

The directors of Pantheon are still assessing the impact of the above standards or interpretations on the financial statements of Pantheon in the period of their initial application.

(c) **Financial assets**

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) *Available-for-sale financial assets*

Investments in securities are classified as available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when Pantheon's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale financial assets 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 loss.

(iii) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

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

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

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

— For 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 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 in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(iii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(iv) *Derecognition of financial assets*

Pantheon derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Pantheon neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Pantheon recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Pantheon retains substantially all the risks and rewards of ownership of a transferred financial asset, Pantheon continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(d) **Financial liabilities and equity**

(i) *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Pantheon are recorded at the proceeds received, net of direct issue costs.

(iii) *Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(iv) *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at fair value through profit or loss where they are either held for trading or are designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

(v) *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of Pantheon's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(f) **Provisions**

Provisions are recognised when Pantheon has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where Pantheon expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(g) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Pantheon. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(h) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Pantheon's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where Pantheon is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Pantheon expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Pantheon intends to settle its current tax assets and liabilities on a net basis.

(i) **Translation of foreign currencies**

The Financial Information is expressed in United States Dollars ("USD") which is the functional currency of Pantheon and the presentation currency for the Financial Information.

In preparing the Financial Information, transactions in currencies other than Pantheon's presentation currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(j) **Related parties**

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of Pantheon where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Pantheon or of any entity that is a related party of Pantheon.

(k) **Leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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

(l) **Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Pantheon's estimate of equity instruments that will eventually vest. At each balance sheet date, Pantheon revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of Pantheon's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

Pantheon makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of share options

As explained in Note 11, fair value of Option is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates of the relevant parameters of the share option pricing model be changed, there would be material changes in the amount of the share option reserve.

4. LOSS BEFORE INCOME TAX

	Period from 10 April 2006 (date of inception) to 31 December 2006	Year ended 31 December 2007	Six months ended 30 June 2007	Six months ended 30 June 2008
	USD	*USD*	*USD* (*unaudited*)	*USD*
Loss before income tax is arrived at after charging:				
Auditors' remuneration	49,500	59,500	—	—
Expenses incurred in relation to initial public offering of common stock				
— paid or payable in cash	2,596,463	—	—	—
— share-based payment (option) (*Note 11*)	1,440,951	—	—	—
and after crediting:				
Interest income on:				
Trust account	39,897	1,172,034	583,872	434,332
Other bank accounts	241	24,895	16,456	7,044
	40,138	1,196,929	600,328	441,376
Less: Deferred interest income attributable to common stock subject to possible redemption	(39,897)	(1,172,034)	(583,872)	(434,332)
	241	24,895	16,456	7,044

5. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

No directors of Pantheon received remuneration during the Relevant Periods and the six months ended 30 June 2007 for their services rendered to Pantheon.

Pantheon has no employees during the Relevant Periods and the six months ended 30 June 2007.

6. INCOME TAX

Pantheon is subject to United States federal income tax at 34% for the Relevant Periods and the six months ended 30 June 2007.

No provision has been made of United States federal income tax as Pantheon incurred tax losses for the Relevant Periods and the six months ended 30 June 2007.

Taxation on Pantheon's accounting profit differs from the theoretical amount that would arise using the taxation rate of 34% as follows:

	Period from 10 April 2006 (date of inception) to 31 December 2006	Year ended 31 December 2007	Six months ended 30 June 2007	2008
	USD	USD	USD (unaudited)	USD
Loss before income tax	(4,067,014)	(604,579)	(290,681)	(266,459)
Taxation calculated at United States statutory tax rate of 34%	(1,382,784)	(205,557)	(98,831)	(90,596)
Tax effect of expenses not deductible for taxation purposes	1,386,285	415,824,	204,133	152,644
Tax effect of non-taxable items	(13,565)	(398,491)	(198,517)	(147,673)
Tax effect on unused tax losses not recognised	10,064	188,224	93,215	85,625
Income tax for the period	—	—	—	—

7. LOSS PER SHARE

(a) Basic loss per share

	Period from 10 April 2006 (date of inception) to 31 December 2006	Year ended 31 December 2007	Six months ended 30 June 2007 (unaudited)	2008
Numerator				
Loss attributable to equity holders of Pantheon	$(4,067,014)	$ (604,579)	$ (290,680)	$ (266,459)
Denominator for earnings per share				
Weighted average shares of common stock at end of period	1,198,308	1,250,000	1,250,000	1,250,000

The diluted loss per share is not presented as the exercise of the options and warrants will decrease the basic loss per share.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets represent investments in 4 units of money market cumulative preferred shares ("MMCPS"), with a liquidation preference of $25,000 per share, of Lehman Brothers First Trust Income Opportunity Fund ("LBC"), which have been fully redeemed up to the date of this report.

9. HELD FOR TRADING FINANCIAL ASSETS

The held for trading financial assets represent investments in 7,300 units at 31 December 2007 and 5,700 units at 30 June 2008 of 6.375% preferred securities, series K, issued by Lehman Brothers Holdings Capital Trust III ("LEHKQ"), and were stated in the balance sheets at 31 December 2007 and 30 June 2008 at the market price of $19.90 per share and $16.81 per share respectively.

In August 2008, Pantheon disposed of the entire 5,700 units of the preferred securities at a total consideration of $80,073, which has been fully settled up to the date of this report.

10. TRUST ACCOUNT

Upon the closing of the Offering, including the over-allotment option and the proceeds from the issuance of Type C warrants, an amount of $32,747,500 of the net proceeds was deposited in the Trust Account at Lehman Brothers and was carried at market value, which approximated cost plus accrued interest. As at 30 June 2008, the investments in the Trust Account amounted to $34,093,763 and were in the form of cash.

Reconciliation of investments held in trust account is as follows:-

	Period from 10 April 2006 (date of inception) to 31 December	Year ended 31 December	Six months ended 30 June	
	2006	**2007**	**2007**	**2008**
	USD	*USD*	*USD* *(unaudited)*	*USD*
Beginning of period	—	32,787,397	32,787,397	33,659,431
Proceeds from the Offering, net of expenses incurred	31,497,500	—	—	—
Gross proceeds from issuance of Type C Warrants *(Note 17)*	1,250,000	—	—	—
Interest income received	39,897	1,172,034	583,872	434,332
Withdrawals to fund operations	—	(300,000)	—	—
End of period	32,787,397	33,659,431	33,371,269	34,093,763

Since September 2008, the Trust Account has been maintained at Morgan Stanley and is invested in tax exempt funds. At 30 September 2008, the value of the Trust Account amounted to $34,282,032.

11. COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION

On 20 December 2006, Pantheon sold 5,750,000 units ("Units"), including 750,000 Units relating to the underwriters' over-allotment option, in the Offering at an offering price of $6.00. Each Unit consists of one share of Pantheon's common stock, $0.0001 par value, and two warrants ("Type A Warrants"). Each Type A Warrant entitles the holder to purchase from Pantheon one share of common stock at an exercise price of $5.00 commencing the later of the completion of a Business Combination or 14 December 2007 and expiring 13 December 2010, or earlier upon redemption. Type A Warrants will be redeemable, at Pantheon's option, with the prior consent of Early Bird Capital, Inc., the representative of the underwriters in the Offering ("Representative"), at a price of $0.01 per Type A Warrant upon 30 days' notice after Type A Warrants become exercisable, only in the event that the last sale price of the common stock is at least $8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given. If Pantheon redeems Type A Warrants as described above, management will have the option to require any holder that wishes to exercise his Type A Warrant to do so on a "cashless basis."

In such event, the holder would pay the exercise price by surrendering his Type A Warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying Type A Warrants, multiplied by the difference between the exercise price of Type A Warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of Type A Warrants. In accordance with the warrant agreement relating to Type A Warrants sold and issued in the Offering, Pantheon is only required to use its best efforts to maintain the effectiveness of the registration statement covering Type A Warrants. Pantheon will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration statement is not effective at the time of exercise, the holder of such Type A Warrant shall not be entitled to exercise such Type A Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will Pantheon be required to net cash settle the warrant exercise. Consequently, Type A Warrants may expire unexercised and unredeemed.

Pantheon paid the underwriters in the Offering an underwriting discount of 5.5% of the gross proceeds of the Offering and a non-accountable expense allowance of 0.5% of the gross proceeds of the Offering. However, the underwriters have agreed that 1% of the underwriting discount will not be payable unless and until Pantheon completes a Business Combination and has waived their right to receive such payment upon Pantheon's liquidation if it is unable to complete a Business Combination. Approximately $345,000 is being held in the Trust Account as provision for underwriters' commission (Note 12).

In connection with this Offering, Pantheon also issued an option ("Option"), for $100, to the Representative to purchase 500,000 Units at an exercise price of $6.60 per Unit. The Units issuable upon exercise of the Option are identical to the Units sold in the Offering. Pantheon accounted for the fair value of the Option, inclusive of the receipt of the $100 cash payment, as a cost of the Offering resulting in a charge directly to stockholders' equity.

Pantheon estimates that the fair value of the Option is approximately $1,440,951 ($2.88 per Unit) using a Black—Scholes option pricing model. The inputs into the model were as follows:

Share price upon Offering	$6.0
Exercise price	$6.6
Expected volatility	52.0%
Expected life	5 years
Risk free rate	4.9%
Expected dividend yield	—

Expected volatility was determined by calculating the historical volatility of similar entities' share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Expected dividends are based Pantheon's past dividend yield and the mean dividend yield of an appropriately comparable peer group.

The Option is exercisable from the later of the consummation of a Business Combination or December 14, 2007 to December 13, 2011 and may be exercised for cash or on a "cashless" basis, at the holder's option, such that the holder may use the appreciated value of the Option (the difference between the exercise prices of the Option and the underlying warrants ("Type B Warrants") and the market price of the Units and underlying securities) to exercise the Option without the payment of any cash. Pantheon will have no obligation to net cash settle the exercise of the Option or the warrants underlying the Option. The holder of the Option will not be entitled to exercise the Option or the warrants underlying the Option unless a registration statement covering the securities underlying the Option is effective or an exemption from registration is available. If the holder is unable to exercise the Option or underlying warrants, the Option or the underlying warrants, as applicable, will expire worthless.

Type B Warrants are exercisable at the same price as the Type A Warrants.

Pantheon recognised an expense of $1,440,951 related to equity-settled share-based payment transaction for the period from 10 April 2006 (date of inception) to 31 December 2006. No such expenses were recognised during the year ended 31 December 2007 and the six months ended 30 June 2008 and 2007.

The common stock sold in the Offering is subject to possible redemption if:-

(a) With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that Pantheon redeem his or her shares, or

(b) if public stockholders owning 20% or more of the shares sold in the Offering vote against the business combination and exercise their redemption rights, the business combination will not be consummated. The public stockholders who voted against the business combination may demand that Pantheon redeem his or her shares.

The per share redemption price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering.

In relation to the accounting treatment of the common stock sold in the Offering of 5,750,000 shares subject to possible redemption whereby the Public Stockholders may seek redemption of their stock into their share of the trust fund in the event of a Business Combination, the directors of Pantheon realised that with reference to the terms of these shares, the redemption option embedded in the common stock sold in the Offering did not meet the definition of equity instrument upon its initial recognition, and thus designated them together with deferred interest income on the Trust Account as at financial liabilities at fair value through profit or loss.

The movement of common stock sold in the Offering is as follows:-

	As at 31 December		As at 30 June
	2006	**2007**	**2008**
	USD	*USD*	*USD*
Authorised, issued and fully paid: 5,750,000 shares of common stock of $0.0001 each issued and outstanding at end of period	575	575	575

Interest income on the trust account is deferred and accounted for as a current liability at the balance sheet dates.

12. PROVISION FOR UNDERWRITERS' COMMISSION

This amount represents 1 % of commission payable to the underwriters of the Offering and will not be payable unless and until Pantheon completes a Business Combination. The underwriters have waived their right to receive such payment upon Pantheon's liquidation if it is unable to complete a Business Combination.

The provision for underwriters' commission of $345,000 is being held in the Trust Account.

13. UNITED STATES FRANCHISE TAX

Franchise tax is a tax charged by the State of Delaware, the United States annually with reference to the total assets and the number of authorised common stock of Pantheon.

14. RELATED PARTY TRANSACTIONS

(a) Other than the Private Placement as described in Note 17, Pantheon has the following balances with its related parties.

	As at 31 December		**As at 30 June**
	2006	**2007**	**2008**
	USD	*USD*	*USD*
Amounts due to directors:-			
Mark D. Chen	—	5,803	7,893
Jennifer J. Weng	—	5,738	18,725
Christina Jun Mu	18,500	8,231	15,974
Kevin Kezhong Wu	18,500	19,138	7,068
	37,000	38,910	49,660

The above balances are unsecured, interest free and repayable on demand.

(b) Members of key management during the Relevant Periods and the six months ended 30 June 2007 comprised only the directors who did not receive any remuneration as set out in Note 5 to the Financial Information.

15. OPERATING LEASE COMMITMENTS

	Period from 10 April 2006 (date of inception) to 31 December	Year ended 31 December	Six months ended 30 June	
	2006	**2007**	**2007**	**2008**
	USD	*USD*	*USD* *(unaudited)*	*USD*
Minimum lease payments paid under operating leases	4,500	90,000	45,000	45,000

At the balance sheet date, Pantheon had outstanding minimum commitments under non-cancellable operating leases in respect of its office premises as follows:

	As at 31 December		As at 30 June
	2006	**2007**	**2008**
	USD	*USD*	*USD*
Within one year	90,000	85,500	40,500
After one year but within five years	85,500	—	—
	175,500	85,500	40,500

16. SHARE CAPITAL AND SHARE PREMIUM

	As at 31 December		As at 30 June
	2006	**2007**	**2008**
	USD	*USD*	*USD*
Authorised:			
Common stock (25,000,000 shares of $0.0001 each)	2,500	2,500	2,500
Preferred stock (1,000,000 shares of $0.0001 each) *(a)*	100	100	100
Issued and fully paid: (excluding the common stock subject to possible redemption *(Note 11)*			
1,250,000 shares of $0.0001 each issued upon inception and outstanding at end of period *(b)*	125	125	125

(a) Pantheon is authorised to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by its board of directors.

The agreement with the underwriters prohibits Pantheon, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with common stock on a Business Combination.

(b) The company was incorporated with an authorised share capital of $2,500 divided into 25,000,0000 shares of $0.0001 each. 1,250,000 shares of $0.0001 each were issued at $0.02 per share for cash on incorporation to provide the initial capital.

17. SHARE OPTIONS AND WARRANTS

(a) Movements in the number of share options outstanding and their related exercise prices are as follows:-

	Average exercise price *USD*	Number of Option *(Note 11)*
Granted, and outstanding at 31 December 2006, 2007 and 30 June 2008	6.60	500,000

No share option was exercisable at 31 December 2006, 2007 and 30 June 2008 or exercised during the Relevant Periods and the six months ended 30 June 2007. All the outstanding share options will expire on December 13, 2011.

(b) Movements in the number of warrants outstanding and their related exercise prices are as follows:-

	Exercise price	Type A Warrants *(Note 11)*	Type B Warrants *(Note 11)*	Type C Warrants *(Note)*
Granted, and outstanding at 31 December 2006, 2007 and 30 June 2008	$ 5.00	11,500,000	1,000,000	2,083,334

No warrant was exercisable at 31 December 2006, 2007 and 30 June 2008 or exercised during the Relevant Periods and the six months ended 30 June 2007. All the outstanding warrants will expire on 13 December 2010.

Note: Private placement

Simultaneously with the consummation of the Offering, Pantheon's directors and certain special advisors and their members purchased 2,083,334 warrants ("Type C Warrants") at $0.60 per warrant (for an aggregate purchase price of approximately $1,250,000) privately from Pantheon. These purchases took place simultaneously with the consummation of the Offering. All of the net proceeds received from these purchases were placed in the Trust Account. Type C Warrants are identical to Type A Warrants underlying the Units sold in the Offering except that if Pantheon calls Type A Warrants for redemption, Type C Warrants may be exercisable, at the Initial Stockholders' option, on a "cashless basis" so long as such securities are held by such Initial Stockholders or their affiliates. Additionally, such purchasers have agreed that Type C Warrants will not be sold or transferred by them until after Pantheon has completed a Business Combination.

Similar to the Option as mentioned in Note 11, notwithstanding anything to the contrary contained in Type C Warrants, in no event will Pantheon be required to net cash settle the exercise of the warrants. The holder of Type C Warrants will not be entitled to exercise the warrants unless a registration statement is effective, or an exemption from the registration requirements is available at such time and, if the holder is not able to exercise the warrants, the warrants, as applicable, will expire worthless.

18. RESERVES

(a) **Share options and warrant reserves**

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted by Pantheon recognised in accordance with the accounting policy adopted for share based payment set out in Note 2(l).

The warrant reserve represents the cash price of unexercised warrants granted by Pantheon (Note 17).

(b) **Distributability of reserves**

Pantheon had no distributable reserve at the balance sheet dates.

19. CAPITAL RISK MANAGEMENT

The capital structure of Pantheon consists of equity attributable to equity holders of Pantheon only, comprising share capital and reserves. Where necessary, the board of directors of Pantheon will consider issuing additional share capital to broaden its capital base.

20. FINANCIAL RISK MANAGEMENT

The main risks arising from Pantheon's financial instruments in the normal course of Pantheon's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by Pantheon's financial management policies and practices described below. Generally, Pantheon introduces conservative strategies on its risk management.

(a) **Credit risk**

Pantheon's principal financial assets include available-for-sale financial assets, held for trading financial assets, investment held in trust and cash at bank and in hand.

Under the agreement governing the Trust Account, funds will only be invested in United States "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 with a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940.

Investment held in trust and balances with bank are deposited with financial institutions with high credit ratings.

(b) **Liquidity risk**

Pantheon's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the non-derivative financial liabilities of Pantheon are due within one year or repayable on demand.

At the balance sheet dates, Pantheon does not have any derivative financial liabilities.

(c) **Interest rate risk**

Pantheon's exposure to interest rate risk is minimal as all its interest-bearing assets and liabilities are due within one year.

(d) **Currency risk**

Currency risk to Pantheon is minimal as most of its transactions are carried out in United States dollar.

(e) **Fair values estimation**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006, 2007 and 30 June 2008.

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of Pantheon's financial assets and financial liabilities as recognised at 31 December 2006, 2007 and 30 June 2008 may be categorised as follows:

	As at 31 December		As at 30 June
	2006	2007	2008
	USD	*USD*	*USD*
Financial assets			
Available-for-sale financial assets	—	—	99,000
Held for trading financial assets	—	145,270	95,817
Loans and receivables (including trust account and cash and bank balances)	33,707,532	33,998,651	34,149,753
Financial liabilities			
Financial liabilities measured at amortised costs	539,098	424,830	435,642
Financial liabilities at fair value through profit or loss	34,539,897	35,711,931	36,146,263

22. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2008.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Pantheon in respect of any period subsequent to 30 June 2008.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Sum Yuk Fan, Sharon
Director
Practising Certificate number P04967

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OF PANTHEON

To assist Shareholders in their analysis of the financial aspects of the Proposed Transaction, the Company is providing the following discussion and analysis of Pantheon's financial condition and results of operations based on Financial Information included in the preceding section of this Appendix and, as such, the following should be read in conjunction therewith. This section was prepared by the management of Pantheon. Although due care and attention has been used by the Company to ensure that the information contained in this section is accurate, the Company has not independently verified such information and cannot guarantee the accuracy and completeness of such information.

Forward Looking Statements

The statements discussed below include forward looking statements that involve risks and uncertainties detailed from time to time in Pantheon's reports.

Plan of Operations

Pantheon was formed on 10 April 2006 to serve as a vehicle to acquire, through a stock exchange, asset acquisition or other similar business combination, or control, through contractual arrangements, an operating business with principal operations located in the PRC. Pantheon intends to utilize cash derived from the proceeds of its initial public offering, its capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination. There are no limitations on its ability to incur debt or issue equity securities in order to consummate a business combination.

Pantheon consummated its initial public offering on 20 December 2006. All activity from 10 April 2006 through 20 December 2006 related to its formation and its initial public offering. Since 20 December 2006, Pantheon has been searching for prospective target businesses to acquire.

Results of Operations for the six months ended 30 June 2008 compared to the six months ended 30 June 2007

For the six months ended 30 June 2008, Pantheon had a net loss of US$266,459 derived from interest income of US$7,044 (interest income decreased compared to 30 June 2007 due to a decrease in interest rates) offset by US$14,622 of fair value loss on held for trading financial assets, US$15,380 for director and officer liability insurance, US$113,239 for professional fees, US$45,000 for administrative management fees, US$33,801 for travel expenses, US$11,900 for franchise taxes and US$39,561 for other operating expenses.

For the six months ended 30 June 2007, Pantheon had a net loss of US$290,681 derived from interest income of US$16,456 offset by US$16,521 of fair value loss of held for trading financial assets, US$12,743 for director and officer liability insurance, US$37,433 for consulting fees, US$32,876 for professional fees, US$45,000 for administrative management fees, US$1,817 for marketing expenses, US$95,876 for travel expenses, US$14,125 for franchise taxes and US$50,746 for other operating expenses.

Results of Operations for the fiscal year ended 31 December 2007 compared to the fiscal year ended 31 December 2006

For the fiscal year ended 31 December 2007, Pantheon had a net loss of US$604,579 derived from interest income of US$24,895 offset by US$50,980 of fair value loss on held for trading financial assets, US$27,903 for director and officer liability insurance, US$65,244 for professional fees, US$90,000 for administrative management fees, US$185,422 for travel expenses, US$58,157 for consulting fees, US$1,817 for marketing expenses, US$30,187 for franchise taxes and US$119,764 for other operating expenses.

For the fiscal year ended 31 December 2006, Pantheon had a net loss of US$4,067,014 derived from interest income of US$241 offset by US$4,037,414 of expenses incurred in relation to initial public offering of common stock, US$4,500 for administrative management fees, US$21,341 for franchise taxes and US$4,000 for other operating expenses.

Results of Operations for the period from 10 April 2006 to 30 June 2008

For the period from 10 April 2006 (inception) to 30 June 2008, Pantheon had a net loss of US$4,938,052 derived from interest income of US$32,180 offset by US$4,037,414 of expenses incurred in relation to initial public offering of common stock, US$65,602 of fair value loss on held for trading financial assets, US$43,283 for director and officer liability insurance, US$58,157 for consulting fees, US$178,483 for professional fees, US$139,500 for administrative management fees, US$1,817 for marketing expenses, US$219,223 for travel expenses, US$63,428 in Delaware franchise taxes and US$163,325 for other operating expenses.

Liquidity and Capital Resources

Pantheon has US$175,499 of working capital at 30 June 2008, excluding investments held in trust, common stock subject to possible redemption, deferred interest and provision for underwriter's commissions. Pantheon believes it has sufficient working capital to fund its operations through 14 December 2008. Pantheon does not believe it will need to raise additional funds in order to meet the expenditures required for operating its business prior to consummation of a business transaction. Its management is actively searching for a target company to acquire prior to 14 December 2008.

If Pantheon does not effect a business combination, it will have to liquidate.

A UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction to the unaudited pro forma financial information

Under the Agreement, the Group will dispose of its 50.25% equity interest in CCBS in return for an equity interest in Pantheon Cayman. Completion requires the affirmative vote of the holders of a majority of the issued and outstanding shares of Pantheon voted at Pantheon's special meeting of shareholders. Holders of shares of Pantheon sold in its initial public offering may vote against the Proposed Transaction and demand Pantheon to redeem their shares, in which case they will receive a pro rata share of the trust fund assets of Pantheon ("Redemption Rights"). The Proposed Transaction will only proceed if holders of shares of Pantheon sold in its initial public offering representing less than 20% of such shares exercise their Redemption Rights at the time of casting a vote against the Proposed Transaction. To the extent necessary, practicable and permitted under the applicable laws and after obtaining all relevant approvals from the Company's shareholders, the Company will purchase, or procure the purchase of, Pantheon's common shares for the purpose of assisting in the successful completion of the Proposed Transaction. Subject to the number of shares of Pantheon that the Company will purchase, the Company will directly or indirectly hold a 47.4% to 55.9% equity interest in Pantheon Cayman upon Completion.

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared for the purpose of illustrating the effects of the Proposed Transaction, as if it had taken place on 30 September 2008. It has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 as set out in the Group's 2009 Interim Report and the audited balance sheet of Pantheon as at 30 June 2008 as set out in this circular (translated at the rate of US$1.00: HK$7.8), after making certain pro forma adjustments as set out in the notes below.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared based on the following scenarios:

(i) The Company does not purchase any share of Pantheon for the purpose of assisting in the successful completion of the Proposed Transaction, and none of the holders of shares of Pantheon sold in its initial public offering exercise their Redemption Rights, in which case the Company will hold a 47.4% equity interest in Pantheon Cayman at Completion ("Minimum Shareholding"); and

(ii) The Company purchases 80.01% of the shares of Pantheon sold in its initial public offering for the purpose of assisting in the successful completion of the Proposed Transaction, and 19.99% of the holders of the shares of Pantheon sold in its initial public offering exercise their Redemption Rights, in which case the Company will hold a 55.9% equity interest in Pantheon Cayman at Completion ("Maximum Shareholding").

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Proposed Transaction been completed on 30 September 2008 or on any future date.

(i) ***Assuming Minimum Shareholding***

	The Group	Pro forma adjustments for the financial effect of the Proposed Transaction		Remaining Group
	HK$'000	*HK$'000*		*HK$'000*
	(Note (a))		*(Note)*	
Non-current assets				
Fixed assets				
— Property, plant and equipment	390,571	(258,829)	(b)	131,742
— Interests in leasehold land held for own use under operating leases	4,345	—		4,345
	394,916	(258,829)		136,087
Intangible assets	85,805	(85,805)	(b)	—
Goodwill	67,169	(66,663)	(c)	506
Interests in associates	695,462	482,518	(d)	1,177,980
Interests in jointly controlled entities	686,879	—		686,879
Available-for-sale equity securities	135,091	(22,450)	(b)	112,641
Other financial assets	753,433	(63,724)	(b)	689,709
Deferred tax assets	4,407	(2,492)	(b)	1,915
	2,823,162	(17,445)		2,805,717
Current assets				
Other investments	160,489	—		160,489
Inventories	54,237	(36,227)	(b)	18,010
Trade receivables	216,911	(48,389)	(b)	168,522
Other receivables, deposits and prepayments	57,982	(34,651)	(b)	23,331
Other financial assets	35,594	(35,594)	(b)	—
Cash and bank balances	799,583	(222,332)	(b)	577,251
	1,324,796	(377,193)		947,603

	The Group	Pro forma adjustments for the financial effect of the Proposed Transaction		Remaining Group
	HK$'000	*HK$'000*		*HK$'000*
	(Note (a))		*(Note)*	
Current liabilities				
Trade payables	32,217	(4,445)	(b)	27,772
Other payables and accruals	82,214	(34,747)	(b)	47,467
Bank loans	25,000	—		25,000
Obligations under finance lease	854	—		854
Current taxation	17,043	(4,245)	(b)	12,798
	157,328	(43,437)		113,891
Net current assets	1,167,468	(333,756)		833,712
Total assets less current liabilities	3,990,630	(351,201)		3,639,429
Non-current liabilities				
Deferred income	82,466	(82,466)	(b)	—
Other non-current liabilities	16,386	(16,386)	(b)	—
Government grant	153	—		153
Obligations under finance lease	3,030	—		3,030
Bank loans	345,586	—		345,586
	447,621	(98,852)		348,769
Net assets	3,543,009	(252,349)		3,290,660

(ii) ***Assuming Maximum Shareholding***

	The Group	Pantheon	Pro forma adjustments for the financial effect of the Proposed Transaction		Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note (a))	*(Note (e))*		*(Note)*	
Non-current assets					
Fixed assets					
— Property, plant and equipment	390,571	—	—		390,571
— Interests in leasehold land held for own use under operating leases	4,345	—	—		4,345
	394,916	—	—		394,916
Intangible assets	85,805	—	—		85,805
Goodwill	67,169	—	—		67,169
Interests in associates	695,462	—	—		695,462
Interests in jointly controlled entities	686,879	—	—		686,879
Available-for-sale equity securities	135,091	—	—		135,091
Other financial assets	753,433	—	—		753,433
Deferred tax assets	4,407	—	—		4,407
	2,823,162	—	—		2,823,162
Current assets					
Other investments	160,489	747	—		161,236
Inventories	54,237	—	—		54,237
Trade receivables	216,911	—	—		216,911
Other receivables, deposits and prepayments	57,982	120	—		58,102
Trust account	—	265,931	(265,931)	(f)	—
Other financial assets	35,594	772	—		36,366
Cash and bank balances	799,583	437	212,771	(f)	810,044
			(202,747)	(g)	
	1,324,796	268,007	(255,907)		1,336,896

	The Group	Pantheon	Pro forma adjustments for the financial effect of the Proposed Transaction		Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note (a))	*(Note (e))*		*(Note)*	
Current liabilities					
Trade payables	32,217	—	—		32,217
Other payables and accruals	82,214	3,398	—		85,612
Common stock subject to possible redemption	—	269,100	(269,100)	(h)	—
Deferred interest income attributable to common stock subject to possible redemption	—	12,841	(12,841)	(h)	—
Bank loans	25,000	—	—		25,000
Obligations under finance lease	854	—	—		854
Current taxation	17,043	—	—		17,043
	157,328	285,339	(281,941)		160,726
Net current assets	1,167,468	(17,332)	26,034		1,176,170
Total assets less current liabilities	3,990,630	(17,332)	26,034		3,999,332
Non-current liabilities					
Deferred income	82,466	—	—		82,466
Other non-current liabilities	16,386	—	—		16,386
Government grant	153	—	—		153
Obligations under finance lease	3,030	—	—		3,030
Bank loans	345,586	—	—		345,586
	447,621	—	—		447,621
Net assets	3,543,009	(17,332)	26,034		3,551,711

Notes to the Unaudited Pro Forma Financial Information

(a) Assets and liabilities of the Group are extracted from the unaudited consolidated balance sheet of the Group as at 30 September 2008 as set out in the Group's 2009 Interim Report.

(b) The unaudited pro forma adjustment reflects the exclusion of the assets and liabilities of CCBS and its subsidiaries as if the Proposed Transaction had been completed on 30 September 2008. The assets and liabilities of CCBS and its subsidiaries are extracted from the unaudited consolidated balance sheet of CCBS as at 30 September 2008 prepared by the management of CCBS.

(c) The unaudited pro forma adjustment reflects the exclusion of goodwill attributable to the acquisition of CCBS and its subsidiaries as if the Proposed Transaction had been completed on 30 September 2008. The goodwill represents the excess of the purchase consideration over the then fair value of net assets of a subsidiary of CCBS acquired by the Company in 2003.

(d) The unaudited pro forma adjustment reflects the Remaining Group's interest in 47.4% of net assets of Pantheon and its subsidiaries, including CCBS, as interests in associates under the Minimum Shareholding scenario, as if the Proposed Transaction had been completed on 30 September 2008.

(e) The unaudited pro forma adjustment represents the inclusion of the assets and liabilities of Pantheon, as a subsidiary of the Group under the Maximum Shareholding scenario, as at 30 June 2008 as extracted from the accountants' report on Pantheon as set out in Appendix II to this circular, translated at the rate of US$1.00: HK$7.8.

(f) The unaudited pro forma adjustment represents distribution of 19.99% of the trust fund assets to holders of 19.99% of the shares of Pantheon sold in its initial public offering, who are assumed to have exercised their Redemption Rights under the Maximum Shareholding scenario, and the reclassification of the remaining balance of the trust fund assets as cash and cash equivalents. The amount re-classifed as cash and cash equivalents represents 80.01% of the trust account of Pantheon as at 30 June 2008 of US$34,093,763, translated at the rate of US$1.00: HK$7.8, being the remaining balance of the trust account after distribution of 19.99% of the trust fund assets to holders of 19.99% of the shares of Pantheon sold in its initial public offering.

(g) The unaudited pro forma adjustment represents cash paid to acquire 80.01% of Pantheon's shares sold in its initial public offering, being 4,600,575 shares at a market price of US$5.65 per share as if the Proposed Transaction had been completed on 30 September 2008.

(h) The unaudited pro forma adjustment represents the exclusion of Pantheon's common stock subject to possible redemption and deferred interest income attributable to common stock subject to possible redemption from current liabilities, as the remaining shareholders of Pantheon will no longer have any Redemption Rights upon Completion.

B ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 November 2008

The Board of Directors
Golden Meditech Company Limited
48/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Golden Meditech Company Limited (the "Company") and its subsidiaries (the "Group") set out in Appendix III to the circular of the Company dated 24 November 2008 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed spin-off of China Cord Blood Services Corporation might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the sections headed "Introduction to the unaudited pro forma financial information" and "Notes to the unaudited pro forma financial information" in Appendix III to the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 7.31 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future dates.

Opinion

In our opinion:

(a) the accompanying Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(i) the information contained in this circular is accurate and complete in all material respects and not misleading;

(ii) there are no other matters the omission of which would make any statement in this circular misleading; and

(iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares and debentures of the Company 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules

5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) ***The Company***

		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)]	—	433,916,000	28.29%
		(61,832,000)[(2)]	—	(61,832,000)	(4.03%)
	Beneficial owner	—	63,206,245[(3)]	63,206,245	4.12%
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, which owned 433,916,000 Shares as at the Latest Practicable Date.

(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.

(b) ***CSC, a subsidiary of the Company***[1]

		Number of ordinary shares of US$1 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[2]	10,000	0.62%
Ms. Zheng Ting	Beneficial owner	30,000[2]	30,000	1.85%

Notes:

(1) Upon completion of the Proposed Spin-off, CSC will no longer be a subsidiary of the Company.

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

(ii) **Share Option Schemes**

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

1. Principal terms of the share option schemes of the Company are set out in note 36(a) to the financial statements as included in the annual report of the Company for the year ended 31 March 2008.

2. As at the Latest Practicable Date, options to subscribe for 77,476,245 Shares under the share option schemes of the Company were outstanding, the details of which are as follows:

Name of Directors and employees	Date of grant	Number of underlying Shares in respect of which share options were outstanding as at the Latest Practicable Date	Exercise price
			HK$
Mr. Kam Yuen	30 March 2005[(1)]	63,206,245	1.76
Mr. Lu Tian Long	4 March 2005[(2)]	400,000	1.60
Ms. Zheng Ting	4 March 2005[(2)]	2,000,000	1.60
Full-time employees (other than Directors)	4 March 2005[(2)]	11,870,000	1.60
		77,476,245	

Notes:

(1) The share options are exercisable as to:

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

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

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

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

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

(3) No share options granted under the share option schemes were exercised, cancelled or lapsed as at the Latest Practicable Date.

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

1. The Shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of the CSC Scheme. The CSC Scheme became effective on 21 September 2006 (the "Effective Date"). An ordinary resolution will be proposed at the EGM for the Shareholders to approve the termination of the CSC Scheme. Please refer to the section headed "Termination of the CSC Scheme" on pages 24 to 25 of this circular for further details.

2. As at the Latest Practicable Date, options to subscribe for 100,000 shares of CSC under the CSC Scheme were outstanding, the details of which are as follows:

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

Notes:

(1) The share options are exercisable as to:

(i) up to 30% immediately after the Effective Date;

(ii) up to 60% immediately after 12 months from the Effective Date;

(iii) up to 100% immediately after 18 months from the Effective Date; and

(iv) the share options will expire at the close of business on 27 August 2016.

(2) No share options granted under the CSC Scheme were exercised, cancelled or lapsed as at the Latest Practicable Date.

(iii) **Directors' Right to Acquire Shares or Debentures**

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

3. SUBSTANTIAL SHAREHOLDERS

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

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

Name	Capacity and nature of interest	Number of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden[1]	Beneficial owner	433,916,000 (61,832,000)	28.29% (4.03%)
Mr. Kent C. McCarthy[2]	Interest of controlled corporation	379,694,604	24.75%
Jayhawk China Fund (Cayman), Ltd.[2]	Investment manager	138,955,735	9.06%

(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
Martin Currie (Holdings) Limited	Interest of controlled corporation	114,848,000	7.49%
Wellington Management Company, LLP	Investment manager	77,278,000	5.04%

Notes:

(1) Bio Garden is an investment holding company incorporated in the BVI. Mr. Kam Yuen was the sole director and the sole beneficial shareholder of the entire issued share capital of Bio Garden as at the Latest Practicable Date.

(2) The interests disclosed by Mr. Kent C. McCarthy include 138,955,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.

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

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known by the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

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

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

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

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, management shareholders or their respective associates was interested in any business that competes or may compete, or had any other conflicts of interests, with the business of the Group.

7. INDEBTEDNESS

(i) Borrowings

As at the close of business on 30 September 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$374,470,000, comprising a bank loan in the amount of HK$113,327,000 secured by interests in leasehold land and buildings, as well as a non-current five-year unsecured bank loan benchmarked against changes in the interest rate index. Such unsecured loan contains an embedded interest rate collar such that the interest on the loan would lie within the range of nil to 13% per annum.

(ii) **Contingent liabilities**

As at the close of business on 30 September 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group provided guarantees in favour of certain banks in relation to their banking facilities of HK$368,314,000 granted to and utilised by a jointly controlled entity of the Group. Such guarantees of HK$368,314,000 will expire within a year from 30 September 2008. Pursuant to those guarantees, the Group is liable for the borrowings of the jointly controlled entity from those banks under the banking facilities.

(iii) **Capital commitments**

As at the close of business on 30 September 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had capital commitments amounting to approximately HK$10,838,000.

(iv) **Other commitments**

As at the close of business on 30 September 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, other commitments outstanding were HK$275,600,000, of which HK$132,600,000 (equivatent to US$17,000,000) was related to a futher capital contribution to an unlisted private equity and HK$143,000,000 was related to the proposed acquisition of a 60% equity interest in an entity which possesses management rights to two hospitals in the PRC.

Save as disclosed in the above paragraphs (i) to (iv) and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credit, or any guarantees or other contingent liabilities outstanding at the close of business on 30 September 2008.

8. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that based on the expected cash flows, banking facilities available and internal resources of the Group, the Group will have sufficient working capital for its present requirements in the absence of unforeseen circumstances for at least the next twelve months from the date of this circular.

9. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest audited consolidated accounts of the Group were made up.

10. INTERESTS OF DIRECTORS, PROPOSED DIRECTOR AND EXPERTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors, the proposed Director, nor experts named in paragraph 11 headed "Experts" of this Appendix had any interest in any assets which have been, since 31 March 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

11. EXPERTS

The following are the qualifications of the experts which have given opinion or advice contained in this circular:

Name	Qualification
First Shanghai	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
KPMG	Certified Public Accountants
Shu Lun Pan Horwath Hong Kong CPA Limited ("Horwath")	Certified Public Accountants

Each of First Shanghai, KPMG and Horwath has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letters and reports and/or references to its name, as the case may be, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of First Shanghai, KPMG and Horwath has confirmed that it has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

12. PROCEDURES OF DEMANDING A POLL

Articles 72, 74 and 75 of the articles of association of the Company set out the procedures under which a poll may be demanded.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the applicable rules of the stock exchange in the Relevant Territory* or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(a) by the chairman of the meeting; or

(b) by at least 5 Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring such rights.

If a poll is demanded as aforesaid, it shall (subject as hereinafter provided) be taken in such manner as the chairman of the meeting directs. No notice need to be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the chairman, at any time before the close of the meeting at which the poll was demanded or the taking of the poll, whichever is the earlier.

Any poll duly demanded on the election of a chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.

* *Hong Kong or such other territory as the Directors may from time to time decide if the issued ordinary shares are listed on a stock exchange in such territory*

13. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its subsidiaries within the two years immediately preceding the date of this circular up to the Latest Practicable Date:

(i) the Agreement;

(ii) agreement and plan of merger, conversion and share exchange dated 5 September 2008 by and among Middle Kingdom Alliance Corp., MK Arizona Corp., Pypo Digital Company Limited, Beijing Pypo Technology Group Company Limited, Pypo Holdings (HK) Company Limited, Arch Digital Holdings Limited and Capital Ally Investments Limited;

(iii) acquisition agreement dated 24 June 2008 between GM Hospital Management Company Limited (a wholly owned subsidiary of the Company), China Bright Group Co. Limited (a wholly owned subsidiary of the Company), and Montego Bay Chinsee's Investments Company Limited in relation to the acquisition of 70% contributed amount in Beijing Dao Pei Hospital Company, 70% equity interest in Shanghai Dao Pei Technology Company Limited and 60% equity interest in Topshine Investment Limited to engage in nationwide hospital management and consultancy services in the PRC;

(iv) share purchase agreement dated 19 December 2007 between Golden Meditech Herbal Treatment (BVI) Company Limited (a wholly owned subsidiary of the Company), Right East Group Limited and China Healthcare Inc. (a wholly owned subsidiary of Right East Group Limited) in relation to the sale and purchase of 69% of the issued share capital of Qi Jie Yuan Medicine Holding (HK) Limited;

(v) subscription agreement dated 26 June 2007 between CSC and CordLife Limited in relation to subscription of 11,730,000 shares of CordLife Limited;

(vi) agreements relating to the sale and purchase of shares in the capital of CSC dated 7 June 2007 and 16 July 2007 between the Company, CSC, GM Stem Cells and various purchasers named therein in relation to the transfer of 96,694 shares of CSC in aggregate from GM Stem Cells to the purchasers; and

(vii) subscription agreements dated 15 May 2007 between the Company, CSC and various subscribers named therein in relation to subscription of 166,980 shares of CSC in aggregate by the subscribers.

14. MISCELLANEOUS

(i) The head office and principal place of business of the Company in the PRC is at 11 Wanyuan Street, Beijing Economic Technological Development Area, Beijing, 100176 PRC. The principal place of business of the Company in Hong Kong is at 48th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The registered office of the Company is at Appleby Corporate Services (Cayman) Limited, P.O. Box 1350 GT, Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(ii) The compliance officer of the Company is Mr. Kam Yuen.

(iii) The company secretary and the qualified accountant of the Company is Mr. Kong Kam Yu. He is a member of the HKICPA and ICAEW.

(iv) The Company established an audit committee with written terms of reference which deal with its authority and duties on December 15, 2001. The committee's primary duties are to review the Company's annual report, interim report and quarterly reports, the Group's financial control, internal control and risk management systems and to provide advice and comments thereon to the Board of Directors. The committee comprises three independent non-executive Directors, namely, Prof. Cao Gang (chairman of the audit committee), Mr. Gao Zong Ze and Prof. Gu Qiao.

Prof. Cao Gang, aged 63, is a professor of Accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently the Vice-president of the Beijing Society of Accountants. The residential address of Prof. Cao is A2-140, 11 Fucheng Road, Beijing, China.

Mr. Gao Zong Ze, aged 68, is a qualified lawyer in the PRC the Vice Chairman of China Maritime Law Association and is also a committee member and arbitrator of China International Economic and Trade Arbitrator Commission. Mr. Gao graduated from the Graduate School of China Academy of Social Sciences, the PRC, in 1981. The business address of Mr. Gao is 31st Floor, Tower A, Jianwai SOHO, 39 Dongsanhuan Zhonglu, Chaoyang District, Beijing, China.

Prof. Gu Qiao, aged 61, is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC. He is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC, in 1989. The residential address of Prof. Gu is Laemmchesbergstr 23, 677663, Kaiserslauterm, Germany.

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 48/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours on any weekday, except Saturday, Sunday and public holidays, from the date of this circular up to and including the 14th day from the date of this circular:

(i) the memorandum and articles of association of the Company;

(ii) the service contracts entered into between the Company and each of Mr. Gao Zong Ze, Prof. Gu Qiao and Prof. Cao Gang referred to in this Appendix;

(iii) the material contracts referred to in the section headed “Material Contracts” in this Appendix;

(iv) the annual reports of the Company for the two years ended 31 March 2008 and interim report of the company for the six months ended 30 September 2008;

(v) the report prepared by Horwath in connection with the financial information of Pantheon, the text of which is set out in Appendix II to this circular;

(vi) the report prepared by KPMG in connection with the pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(vii) the consent letters of First Shanghai, KPMG and Horwath referred to under the section headed “Experts” in this Appendix;

(viii) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;

(ix) the letter from First Shanghai, the text of which is set out on pages 31 to 47 of this circular; and

(x) each of the circulars of the Company since 31 March 2008.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Golden Meditech Company Limited (the "**Company**") will be held at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 15 December 2008 for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT** the agreement and plan of merger, conversion and share exchange dated 3 November 2008 (the "**Agreement**", the terms and conditions of which are set out in a document produced to the Meeting marked "A" and signed for the purpose of identification by the Chairman of the Meeting) entered into between the Company, Pantheon China Acquisition Corp., Pantheon Arizona Corp., China Cord Blood Services Corporation ("**CCBS**") and the selling shareholders of CCBS and the transactions contemplated therein, under or incidental to the Agreement (the "**Proposed Transaction**") be and are hereby ratified, confirmed and approved and that the board of directors (the "**Board**") of the Company be and is hereby authorized to sign, seal, execute, perfect and deliver for and on behalf of the Company all such documents and deeds and to do all other acts and things as it may in its absolute discretion consider necessary, desirable or expedient to implement and/or give effect to the terms of the Agreement and the Proposed Transaction."

(2) "**THAT** the Proposed Spin-off be and is hereby approved and that the Board be and is hereby authorized to approve and implement on behalf of the Company the Proposed Spin-off and all incidental matters, to take all actions in connection therewith or arising from the Proposed Spin-off as it shall think fit."

(3) "**THAT** subject to the passing of resolutions numbered (1) and (2) above, any and all rights of the shareholders of the Company to assured entitlements to new shares in Pantheon Cayman (as defined in the circular dated 24 November 2008 issued by the Company (the "**Circular**"), as referred to in Practice Note 3 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**PN 3**"), be and are hereby unconditionally and irrevocably waived."

(4) "**THAT** subject to completion of the Proposed Transaction, the operation of the share option scheme of China Stem Cells Holdings Limited adopted on 21 September 2006 be terminated upon the adoption of the Pantheon Cayman Scheme (as defined in the Circular.)"

For this purpose, "Proposed Spin-off" means the proposed spin-off of the CCBS by the Company, which is deemed to be constituted as a result of the Proposed Transaction under PN 3, as more particularly described in the Circular, including any variations or changes thereto that are considered by the Board to be necessary or desirable and in the best interests of the Company and its shareholders as a whole."

By order of the Board of
Golden Meditech Company Limited
Kam Yuen
Chairman

Hong Kong, 24 November 2008

Principal place of business in Hong Kong:
48/F, Bank of China Tower,
1 Garden Road,
Central,
Hong Kong

Notes:

1. The register of members of the Company will be closed from 11 December 2008 to 15 December 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending and voting at the Meeting, all transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 December 2008.

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who holds two or more shares may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

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

4. A form of proxy for use at the Meeting is enclosed herewith.

5. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

6. Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.