

China Cord Blood Corp (co)

20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

Filed on 09/28/2011

Filed Period 03/31/2011

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

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2011.
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

For the transition period from _____ to _____

Commission file number 001-34541

China Cord Blood Corporation

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

Cayman Islands

(Jurisdiction of incorporation or organization)

**48th Floor, Bank of China Tower
1 Garden Road**

Central, Hong Kong S.A.R.

(Address of principal executive offices)

Albert Chen

+852 3605 8180

albert.chen@chinacordbloodcorp.com

48th Floor, Bank of China Tower

1 Garden Road

Central, Hong Kong S.A.R.

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

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

Title of each class

Ordinary Shares, \$0.0001 par value

Name of exchange on which registered

New York Stock Exchange

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

None

(Title of Class)

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

On March 31, 2011, the issuer had 75,406,875 shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

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

US GAAP

International Financial Reporting Standards as issued by the
International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

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CERTAIN INFORMATION

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

- “CCBC,” “we,” “us,” “our company,” or “our,” refers to China Cord Blood Corporation, a company with limited liability registered by way of continuation in the Cayman Islands;
- “CCBS” refers to China Cord Blood Services Corporation, a company with limited liability incorporated in the Cayman Islands, and a wholly owned subsidiary of CCBC;
- “China” and “PRC” refer to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau solely for the purpose of this report;
- “Cordlife” refers to Cordlife Limited before the restructuring on June 30, 2011. Cordlife was a company with limited liability listed on the Australian Securities Exchange. It was principally engaged in cord blood banking services in Singapore, Hong Kong, Indonesia, India and the Philippines;
- “CBB” refers to Cordlife Limited after the restructuring on June 30, 2011. CBB is a company with limited liability listed on the Australian Securities Exchange. It is principally engaged in cord blood banking services in developing markets including Indonesia, India and the Philippines;
- “Cordlife Singapore” refers to Cordlife Pte Limited after the restructuring of Cordlife Limited on June 30, 2011. Cordlife Singapore is a private company and a subsidiary of CBB. It is principally engaged in cord blood banking services in stabilized markets including Singapore and Hong Kong;
- “Cordlife HK” refers to Cordlife (Hong Kong) Limited, a private company and a subsidiary of Cordlife Singapore. It is principally engaged in cord blood banking services in Hong Kong;
- “CSC East” refers to China Stem Cells (East) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “CSC Holdings” refers to China Stem Cells Holdings Limited, a company with limited liability incorporated in the Cayman Islands;
- “CSC South” refers to China Stem Cells (South) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “GM Stem Cells” refers to Golden Meditech Stem Cells (BVI) Company Limited, a company with limited liability incorporated in the British Virgin Islands;
- “Golden Meditech” refers to Golden Meditech Holdings Limited, a company with limited liability incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of China;
- “Jiachenhong” refers to Beijing Jiachenhong Biological Technologies Co., Ltd., our subsidiary incorporated in the PRC with limited liability;
- “Nuoya” refers to Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd., our subsidiary incorporated in the PRC with limited liability;
- “Qilu” refers to Shandong Province Qilu Stem Cells Engineering Co., Ltd., a company incorporated in the PRC with limited liability;
- “Lukou” refers to Zhejiang Lukou Biotechnology Co., Ltd., our subsidiary incorporated in the PRC with limited liability;
- “provinces” of China refers to the twenty-two provinces, the four municipalities directly administered by the central government (Beijing, Shanghai, Tianjin and Chongqing) and the five autonomous regions (Xinjiang, Tibet, Inner Mongolia, Ningxia and Guangxi);
- “shares” or “ordinary shares” refers to our ordinary shares, par value \$0.0001 per share;
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

In May 2010, we completed the investment in approximately 19.9% equity interest in Qilu, the exclusive cord blood bank operator in the Shandong province. We do not have any representation in the Board of Directors of Qilu and do not have control or significant influence in Qilu. Therefore, our investment in Qilu is stated at cost less impairment losses. Unless otherwise indicated, we have not consolidated in our financial information and operational results those of Qilu. During the year ended March 31, 2011, we entered into agreements to obtain the right to form and operate a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd. Lukou, which is 90% owned by us, is the exclusive cord blood bank operator in the Zhejiang province to provide cord blood stem cells storage service for expectant parents as well as preserving cord blood units donated by the public. As of the date of this report, Lukou has not commenced full scale operation. Unless otherwise indicated, all references to “our business” and “our operations” refer collectively to our Beijing operation, Guangdong operation and Zhejiang operation.

Unless otherwise indicated, our financial information presented in this report has been prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP. All references to “Renminbi,” “RMB” or “yuan” are to the legal currency of China and all references to “U.S. dollars,” “dollars,” “US\$” or “\$” are to the legal currency of the United States. This report contains translations of Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars were made at the noon buying rate in the City of New York for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of March 31, 2011. We make no representation that the Renminbi or U.S. dollar amounts referred to in this report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On March 31, 2011, the noon buying rate was RMB6.5483 to \$1.00.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following selected consolidated financial data, other than selected operating data, have been derived from our audited consolidated financial statements as of March 31, 2010 and 2011 and for the years ended March 31, 2009, 2010 and 2011, which are included elsewhere in this report, and from the audited consolidated financial statements of CCBS (other than net income/(loss) per share data) as of March 31, 2007, 2008 and 2009 and for the years ended March 31, 2007 and 2008 which are not included in this report. The consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. See “Key Information • Risk Factors” included elsewhere in this report. The selected consolidated financial information as of March 31, 2010 and 2011 and for the years ended March 31, 2009, 2010 and 2011 should be read in conjunction with those consolidated financial statements and the accompanying notes and “Operating and Financial Review and Prospects • Our Financial Condition and Results of Operations” included elsewhere in this report.

	For the year ended March 31,					
	2011	2011	2010	2009	2008	2007
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands except per share and operating data)					
Selected statement of operation data:						
Revenues	51,850	339,532	261,536	194,537	233,081	12,722
Gross profit	40,034	262,156	195,806	145,366	172,346	5,087
Operating income/(loss) ⁽¹⁾	18,909	123,819	97,193	85,197	125,403	(17,038)
Net income/(loss) attributable to CCBC shareholders ⁽²⁾⁽³⁾	14,004	91,703	49,177	20,695	117,010	(9,578)
Net income/(loss) per ordinary share, basic	0.20	1.31	0.82	(0.07)	1.59	(0.32)
Net income/(loss) per ordinary share, diluted	0.20	1.31	0.78	(0.07)	1.54	(0.32)
Net income per redeemable ordinary share, basic	N/A	N/A	0.22	1.63	3.46	1.07
Net income per redeemable ordinary share, diluted	N/A	N/A	0.22	1.63	3.41	1.07
Selected operating data:						
New subscriber sign-ups		56,518	45,252	34,678	26,060	12,347
New donations accepted		3,001	3,390	698	693	1,412
Total units stored (end of period) ⁽⁴⁾⁽⁵⁾⁽⁶⁾		202,449	142,930	94,288	58,912	30,906
Units deposited by subscribers (end of period) ⁽⁶⁾		185,830	129,312	84,060	49,382	23,322
Units contributed by donors (end of period) ⁽⁴⁾⁽⁵⁾		16,619	13,618	10,228	9,530	7,584

(1) Includes:

	For the year ended March 31,					
	2011	2011	2010	2009	2008	2007
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Share-based compensation expenses	•	•	•	•	3,191	2,739
Write-back of deferred revenues (included in revenues)	•	•	•	•	136,510	•
Write-back of deferred cord blood processing costs						
– included in direct costs	•	•	•	•	32,946	•
– included in operating expenses	•	•	•	•	4,219	•

Deferred revenue written back in the year ended March 31, 2008 related to cord blood storage agreements executed in the following periods:

For the year ended March 31,	RMB
	(in thousands)
2005 and before	15,601
2006	27,042
2007	53,960
2008	39,907
	<u>136,510</u>

Deferred cord blood processing costs written back in the year ended March 31, 2008 related to cord blood storage agreements executed in the following periods:

For the year ended March 31,	RMB
	(in thousands)
2005 and before	4,559
2006	7,566
2007	14,141
2008	10,899
	<u>37,165</u>

(2) Includes:

	For the year ended March 31,					
	2011	2011	2010	2009	2008	2007
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Write-off of deferred reverse recapitalization costs	•	•	21,566	•	•	•
Impairment loss on available-for-sale equity securities	•	•	•	37,426	•	•
Write-off of deferred offering cost	•	•	•	9,473	•	•

(3) Includes:

	For the year ended March 31,					
	2011	2011	2010	2009	2008	2007
	\$	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Income tax expense/(benefit)	5,181	33,929	24,770	17,854	17,808	(3,361)

Jiachenhong was exempt from PRC income tax for the years ended December 31, 2004 and 2005 and is entitled to 50% reduction of PRC income tax for the years ended December 31, 2006, 2007 and 2008. Such income tax benefits increased net income and net income per share as follows:

For the year ended March 31,						
2011	2011	2010	2009	2008	2007	
\$	RMB	RMB	RMB	RMB	RMB	
(in thousands except per share data)						
Increase in net income	•	•	•	3,444	4,395	1,911
Increase in basic net income per ordinary share	•	•	•	0.06	0.08	0.04
Increase in diluted net income per ordinary share	•	•	•	0.06	0.07	0.04
Increase in basic net income per redeemable ordinary share	•	•	•	0.06	0.08	0.04
Increase in diluted net income per redeemable ordinary share	•	•	•	0.06	0.07	0.04

- (4) As of period end, “Total units stored” and “Units contributed by donors” take into account the withdrawal of donated units when we are successful in providing matching services.
- (5) Includes 1,253 units received in connection with our acquisition of Nuoya in May 2007.
- (6) Includes subscribers who are delinquent on payments and for whom we have ceased to recognize revenue generated from storage fees.

For the year ended March 31,						
2011	2011	2010	2009	2008	2007	
\$	RMB	RMB	RMB	RMB	RMB	
(in thousands)						
Summary statement of cash flow data:						
Net cash provided by operating activities	26,967	176,585	36,365	4,051	68,864	43,930
Net cash used in investing activities	(5,179)	(33,914)	(158,849)	(34,444)	(162,853)	(27,350)
Net cash provided by/(used in) financing activities	29,494	193,141	242,393	(35,276)	172,002	144,945

As of March 31,						
2011	2011	2010	2009	2008	2007	
\$	RMB	RMB	RMB	RMB	RMB	
(in thousands)						
Summary balance sheet data:						
Cash and cash equivalents	93,366	611,387	280,835	161,406	228,787	160,997
Working capital ⁽ⁱ⁾	70,287	460,261	247,800	180,425	236,002	155,283
Total assets	238,780	1,563,598	1,047,034	696,391	644,092	388,717
Deferred revenue	37,412	244,987	129,229	92,582	86,937	130,572
Share capital	8	52	46	34	34	34
Retained earnings	27,334	178,993	87,290	44,082	48,282	(42,723)
Total shareholders' equity	163,520	1,070,781	808,886	165,542	157,758	91,981

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

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. On March 31, 2011 the noon buying rate announced by Federal Reserve Statistical Release was RMB6.5483 to \$1.00 and on August 31, 2011 the noon buying rate was RMB 6.3778 to \$1.00.

Renminbi per U.S. Dollar – Noon Buying Rate				
Period Ended	Average⁽¹⁾	Low	High	
2011				
August	6.3778	6.4036	6.3778	6.4401
July	6.4360	6.4575	6.4360	6.4720
June	6.4635	6.4746	6.4628	6.4830
May	6.4786	6.4957	6.4786	6.5073
April	6.4900	6.5267	6.4900	6.5477
March	6.5483	6.5645	6.5483	6.5743
February	6.5713	6.5761	6.5520	6.5965
Year ended March 31, 2011	6.5483	6.7069	6.5483	6.8323
Year ended March 31, 2010	6.8258	6.8286	6.8176	6.8371
Year ended March 31, 2009	6.8260	6.8295	6.8176	6.8470
Year ended March 31, 2008	6.8230	6.9193	6.7800	7.2946
Year ended March 31, 2007	7.2950	7.5806	7.2946	7.8127
Year ended March 31, 2006	7.8040	7.9579	7.8041	8.0702

Source: Federal Reserve Bank of New York

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

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk factors

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

Risks Relating to Our Business

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

We generate substantially all of our revenues by providing our subscribers processing services, which consist of the testing and processing of cord blood units, and storage services, which consist of the storage of cord blood units in our facilities. We sometimes refer the processing services and storage services collectively as “subscription services” in this report. In addition, we are also required by the PRC government to store donated cord blood units donated by the public and offer matching units to patients in need of transplants, which we sometimes refer to as the “matching services” in this report. All of these revenues for the years ended March 31, 2009, 2010 and 2011 were derived in China. Due to the lack of a clear, consistent and well-developed regulatory framework, operation in the cord blood banking industry in China involves significant ambiguities, uncertainties and risks. We cannot assure you that we can continue to operate our business in the same manner for the following reasons:

- The PRC Ministry of Health, or “MOH,” has been following a “one license per region” policy in its regulation of cord blood banks, which precludes more than one cord blood banking licensee from operating in the same region. This policy may be changed at any time. If new licenses are issued in Beijing, Guangdong, Zhejiang or any region where we plan to obtain a license to operate, our market position as the sole cord blood bank operator in the relevant region may be undermined. Further, we may be required to record impairment charges in respect of some or all of the carrying values of the rights to operate our cord blood banks in Guangdong and Zhejiang, or our investment in Shandong if additional licenses are issued in those regions or if the MOH or the local departments of health, or “DOH,” takes the position that the provision of fee-based commercial cord blood banking services is not limited to operators of licensed cord blood banks. Any impairment charge that we may be required to record due to changes in regulatory policies would reduce our assets and net income.
- Our business may be exposed to increasingly stringent anti-monopolistic measures from the PRC government. Under the PRC Antitrust Law, the monopolistic activities are classified into (i) monopoly agreements, including both agreements entered into between business operators and suppliers and agreements between the operators; and; (ii) abuse of dominant market position by business operators; and (iii) concentration of business operators that may have the effect of precluding or impeding competition. As of the date of this report, only seven cord blood banking licenses have been granted in China, three of which to the Beijing Cord Blood Bank, Guangdong Cord Blood Bank and Zhejiang Cord Blood Bank (all of which are operated by us) and a fourth to Qilu, the operator of the sole cord blood banking licensee in Shandong and in which we indirectly own a 19.9% effective interest. Therefore, we cannot assure you that we will not be identified as a business operator having dominant market position. In the event of such circumstances, there is a possibility that the antitrust authorities would impose more stringent supervision over our operations in China, in particular as to our abilities in setting and changing subscription prices. There is even a risk that subscription prices would become subject to compulsory or directory guidance or other restrictions imposed by PRC government. Further, we plan to expand our business through further strategic acquisitions. If the contemplated business concentration has the effect of precluding or impeding competition, the antitrust authorities may prohibit consummation of the contemplated business concentration or impose conditions that would lessen the impact the concentration poses on competition, and we may therefore be unable to expand our business through acquisition. In addition, our subsidiaries in Beijing, Guangdong and Zhejiang are consistent in most commercial policies and share lots of material procurement channels in China. In the event there is any agreement or a series of agreements entered into by us that are identified as monopoly agreements, the profits generated from such agreements could be confiscated and we may be subject to administrative penalties.
- There is a possibility that the MOH or the relevant DOH will take the position that the provision of fee-based commercial cord blood banking services is not limited to operators of licensed cord blood banks. In the event that the MOH or the DOH publicly announces such a position, or clarifies such position in an implicit or explicit manner, other companies in healthcare or other related industries may begin to provide such services, in which case we will face direct competition from these companies.
- In response to the development of medical reform of China, the PRC government may further promulgate certain guidance or compulsory regulations or clarify its policies or regulatory positions in other manners, which could undermine cord blood bank profitability by restricting or even prohibiting licensed cord blood banks or their operators from conducting fee-based commercial cord blood banking services. The PRC government may guide or force licensed cord blood bank to focus on its business of providing matching services or at least take matching services as its major business by imposing certain restrictive conditions on subscription services. If any of such circumstances occur, our business and financial conditions may be adversely affected.
- The MOH or the relevant DOH may be inclined to restrict or prohibit the operators of licensed cord blood bank from conducting fee-based commercial cord blood banking services directly. In such event, we may have to change our business model or even terminate our business, and our results of operations, financial condition and the liquidity may be materially adversely affected.
- The MOH or the relevant DOH may take the position that the subscription services and the matching services cannot be operated by the same operator. In such circumstances, we may be required to obtain a separate or a special license, permit, or authorization for our subscription services, or may be subject to some restrictive conditions, in which case our operations would be materially adversely affected.

- The PRC government may adopt additional requirements for the licensing, permitting or registration of cord blood banking services. As a result of the ongoing healthcare reforms in China, our subscription services may become subject to compulsory or directory guidance or other restrictions imposed by the PRC government. In particular, if subscription services become subject to price control in China, we would be required to abide by such control and policies and we may not be able to charge our subscribers at current rates.

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

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

The one-child policy has been established for over 30 years in China, and has successfully controlled population growth rates in the past years. With only one child in each family, it is difficult to obtain matching stem cells if such child needs a transplant. In families with more than one child, the possibility of acquiring matching stem cells from a sibling are increased, and such families may decide not to choose our subscription services. The one-child policy has also created social problems including ageing and imbalanced population. If the one-child policy in China is relaxed or abolished, we cannot assure the demand for our subscription services will maintain at current levels and thus, our business and financial results may be materially adversely affected.

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

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

- Cord blood banking licensees in China are required to accept all cord blood donations except for a valid medical reason and to provide matching services to patients in need of transplants. As the cord blood bank deposits donated by the public grow in size and increase in diversity, the probability of finding matching units for a family member among the units donated by the public may increase, which may result in a decrease in market demand for our subscription services.
- The value of our subscription services is related to the higher success rate of autologous cord blood transplants over unrelated ones. If medical research discovers new and more effective medical procedures that make allogeneic cord blood transplants safer and more effective, the clinical advantage of storing a child's umbilical cord blood for his or her own future therapeutic use may significantly decline.
- The PRC government is in the process of making reforms to the healthcare industry in China. We cannot assure you that the PRC government will not adopt policies to encourage non-profit healthcare measures, such as matching services, while restricting or prohibiting profit-making healthcare measures, such as subscription services.

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

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

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

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

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

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

We invested in Qilu, the exclusive cord blood bank operator in the Shandong province, with an equity interest of 19.9%. Qilu's operation is largely concentrated in the Shandong province. Due to the lack of geographical diversity, Qilu may be unable to mitigate the effects of any adverse trends in local economic development, disposable income or birthrate level. Any slowdown in Shandong province's economic development, unfavorable demographic trend, decline in disposable income of expectant parents or adverse change in consumer behavior will adversely affect Qilu's capability to penetrate its local market. As such, our investment in Qilu may be materially adversely affected or severely impaired.

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

According to a policy paper published by the MOH in December 2005 and also an extension notice published in February 2011, MOH will not issue more than three additional licenses by 2015. The MOH has not made any public announcement regarding the regions in which licenses will be granted. In several regions where we believe cord blood banking licenses may be issued in the near future, however, other cord blood banks are already in the preliminary stages of their applications, and we believe that the relevant DOHs would not be receptive to an expression of interest from another entity, such as ourselves. Therefore, we believe we would have to rely on strategic acquisitions to expand our operations into these regions. Expansion through strategic acquisitions is subject to a number of risks:

- We may fail to locate suitable acquisition candidates with business operations that are consistent with our growth strategy and at prices and on terms that are satisfactory. Alternatively, we may have to compete with other Chinese cord blood bank operators in bidding to acquire cord blood banks in regions where we expect licenses to be granted. Some of these competitors may have greater capital resources than us.
- To finance part or all of our acquisition costs, we may need to issue ordinary shares, incur debt and assume contingent liabilities. Such acquisitions may also create additional expenses related to amortizing intangible assets. Any of these factors might harm our financial results and lead to volatility in the price of our shares. Further, any financing we might need for future acquisitions may be available only on terms that restrict our business or impose costs that decrease our profits.

- Even if we make a successful bid, we may be unable to obtain government approvals necessary to consummate any given proposed acquisition. Among others, if the contemplated business concentration has the effect of precluding or impeding competition, the antitrust authorities may prohibit consummation of the contemplated business concentration or impose conditions that would lessen the impact the concentration poses on competition. Further, we may encounter protective measures in local markets that may preclude or impede our ability to expand into such regions through strategic acquisitions.
- Any integration of new businesses may produce unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for the ongoing development of our business. Among others, we may be unable to discover during due diligence all contingent liabilities and adverse issues, giving rise to unexpected delays or difficulties during integration.
- While all cord blood banks must meet the relevant standards set by MOH, some cord blood banks, due to their limited operating history, may possess different technological standards and operational models than ours. We may need to devote significant time and resources upon completion of the acquisition to amend and transform the acquired target. We may, prior to the implementation of an acquisition, fail to predict the appropriate amount of time and resources required to complete such transformation. It is even possible that we may not be able to rectify the situation at all. Due to the foregoing uncertainties, we may be subject to substantial costs and unexpected delays arising out of an acquisition.

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

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

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

- Based on the time needed for the granting of the seven existing cord blood licenses, we believe that the application process for a cord blood banking license in China generally takes several years. We may incur substantial costs during the application process in the construction of cord blood banks with no certainty of success.
- At any time during the application process, the MOH may decide not to grant a cord blood banking license in the region. Further, our likelihood of success may not be assessed easily, for neither the MOH nor the DOH currently announces the number of prospective applicants. If an application is unsuccessful, we may have to write off our significant initial investments.
- The potential award of new licenses may attract new entrants to the industry. Some of these entrants may consist of internationally based specialists with more extensive technical capabilities and stronger brand recognition and China-based healthcare conglomerates with a large sales and distribution network.

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

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

China is having its laws and regulations changed, supplemented and amended from time to time to establish a well-developed legal system, while at the same time, China is in an environment in which market conditions change rapidly. Therefore, certain laws and regulations fail to be updated in time to adapt to the new business environment, and some of the laws and regulations published only give a regulatory framework or fundamental principles, whose specific operational procedures and clear explanations in relation to certain details (for example, the standard, the scope, the procedures and so on) may be absent. Laws and regulations may not be enforced in a timely manner by competent administrative or judicial institutions, and provincial-level DOHs may have different positions and therefore have different supervision methods as they interpret the laws and regulations in relation to administration of cord blood banks. Although a decision (No. 2004 HuErZhongXingZhong256) made on December 6, 2004 by Shanghai No. 2 Intermediate People's Court, which can be accessed on the official website of Shanghai No. 2 Intermediate People's Court (<http://www.hshfy.sh.cn:8081/flws/text.jsp?pa=ad3N4aD0xNzE0MDUmdGFoPaOoMjAwNKOPu6a2/tbQ0NDW1dfWtdoyNTa6xSZ3ej0Pdcssz>), held that operators that conduct cord blood collection and supply activities without licenses will be ordered to shut down by the authorities, we cannot assure you that there will not be competitors without licenses operating in our target markets. These competitors may include medical institutions having a haematology specialty, general blood stations, institutions which preserve biological tissues (i.e. sperm bank), hospital blood clinic division, research institutions, and commercial institutions or organizations. Alternatively, there can be no assurance that licensed operators in other regions (outside Beijing, Guangdong and Zhejiang) will not compete with us in our target markets, or otherwise pose competition against us with other unfair methods. If the above circumstances do occur, we may not be able to obtain timely and effective protection from the government and have to deal with such unfair competition from such operators, which may result in the loss of the opportunity to explore the potential market, or even a decrease or loss of our existing market demand. In any such case, our operations and financial condition would be adversely affected.

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

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

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

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

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

Cord blood therapy is still at an early stage of development, with the first successful cord blood transplant occurring only in 1988. Cord blood therapy needs to overcome various technical obstacles before it can become an established medical practice. Cord blood therapy currently has the following limitations:

- Cord blood transplants may be riskier than other available treatments. Stem cells in cord blood are more primitive than those in bone marrow or peripheral blood. For this reason, the engraftment process takes longer with cord blood, leaving the patient vulnerable to a fatal infection for a longer period of time. Further, a patient's own stem cells either "often may" or "usually would" not be the safest or most effective source of stem cells for medical treatment, especially in cases of childhood cancers or genetic disorders, potentially making it preferable to use the cord blood units donated by healthy individuals instead of the cord blood units collected upon the patient's birth.

- Due to the fact that cord blood therapy is a fairly new medical procedure with limited empirical data regarding its application, the long-term viability of cryogenically frozen cord blood has yet to be firmly established and the effectiveness of cord blood therapy remains to be proved. Therefore, medical practitioners may have reservations regarding the usefulness of cord blood therapy.
- A typical cord blood harvest only contains enough stem cells to treat a large child or small adult (weighing approximately 100 pounds). Although large-sized adults have had successful cord blood transplants in clinical trials, either by growing the cells in a laboratory prior to transplant or by transplanting more than one cord blood unit at a time, such technology has not yet matured to be applied in general medical practice for commercial use.

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

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

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

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

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

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

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

A significant portion of our sales and marketing activities are conducted by our own direct sales force with the support of our collaborating hospitals. As of March 31, 2011, we have collaborative relationships with 100 major hospitals in Beijing and over 130 in Guangdong. We conduct a significant portion of our sales and marketing activities through these hospitals and rely on them for cord blood collection. Our ability to maintain and strengthen our relationships with these hospitals is critical to our success and will be affected by the following:

- For the year ended March 31, 2011, the top ten of these hospitals handled the collection procedures for approximately 14% of our new subscribers, and the top hospital accounting for 4% of our new subscribers. We expect that a substantial portion of our collection procedures will continue to be generated by a relatively small group of collaborating hospitals that may change from year to year. There is no assurance that the hospitals will continue to collaborate with us at the same levels as in prior years or that such relationships will continue.
- As part of our growth plan, we expect to increase the number of collaborating hospitals in Guangdong and Zhejiang and further strengthen our relationships with the collaborating hospitals in our existing platform. We have limited experience in managing a large service platform in Guangdong and Zhejiang. We cannot assure you that we will be able to maintain or develop our relationships with various hospitals.

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

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

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

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

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

We have a limited operating history. Although Jiachenhong obtained the license for our cord blood bank in September 2002, Jiachenhong was acquired by our significant shareholder, Golden Meditech, in September 2003 and became our wholly-owned subsidiary in July 2005 following a reorganization. Similarly, although Nuoya obtained the license for its cord blood bank in June 2006, Nuoya was acquired by us in May 2007. During the year ended March 31, 2011, we acquired the right to operate the cord blood bank in the Zhejiang province and established a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd. As such, we have a limited operating history upon which the viability and sustainability of our business may be evaluated. For example, due to the uncertainties associated with government policies in relation to granting cord blood banking licenses in China, we abandoned construction of the two cord blood banks commenced by the former management of Jiachenhong and incurred an impairment loss of RMB13.5 million for the year ended March 31, 2006. We cannot assure you that we will not incur losses in the foreseeable future. Our future prospects should be considered in light of the risks and uncertainties we may face in managing a relatively new healthcare service in China. Some of these risks and uncertainties relate to our ability to:

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

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

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

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

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

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

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

In addition to subscription services, we accept and preserve cord blood donated by the general public and deliver matching cord blood units for a fee to patients in need of transplants. For subscribers who cease subscription for our services at the end of 18 years or who fail to pay subscription fees, we have the right under the subscription contracts to treat the cord blood units stored as donated property and release such units to our cord blood inventory for patients in need of transplants. Although we have the right to do so, there are so far no cord blood units of our subscribers being released to our cord blood inventory. We require our employees to fully inform all prospective subscribers of this policy, and our subscribers are required to give their consent to this policy when subscribing for our services.

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

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

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

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

Currently, we maintain insurance coverage of RMB50.0 million (\$7.6 million) to cover our liabilities arising from collection, testing and processing of cord blood units and an additional RMB100.0 million (\$15.3 million) to cover liabilities arising from storage of cord blood units. However, we do not maintain any property insurance policies covering our facilities and vehicles for losses due to fire, earthquake, flood and other disasters, nor do we maintain business interruption insurance. While we believe that we maintain adequate insurance, our business and prospects could nonetheless be adversely affected in the event of problems in our operations, for the following reasons:

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

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

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

Under the Measures for Administration of Blood Stations issued by the MOH, or “the Measures,” which became effective on March 1, 2006:

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

Beijing, Guangdong and Zhejiang licenses were issued by the relevant provincial-level DOHs after the Measures became effective on March 1, 2006. The cord blood bank operated by Jiachenhong, our operating subsidiary in Beijing, obtained its cord blood banking license from the MOH in September 2002. In June 2007, the DOH in Beijing renewed our license for an additional three years which was again extended for three years in June 2010. The cord blood bank operated by Nuoya, our operating subsidiary in Guangdong, obtained the first cord blood banking license in China from the MOH in June 2006. In May 2009, the DOH in Guangdong renewed our license for an additional three years. The cord blood bank operated by Lukou, our operating subsidiary in Zhejiang, obtained its first cord blood banking license from the MOH in September 2010. All licensed cord blood bank operators in China have been providing fee-based commercial cord blood banking services to fee-paying subscribers in conjunction with cord blood banking services provided to the public. We believe that the MOH and the DOHs in Beijing, Guangdong and Zhejiang are aware of fee-based commercial cord blood banking services in these regions, as they have inspected cord blood bank facilities from time to time. In addition, our license application materials submitted to the DOH in Beijing contained information about our subscription services to subscribers.

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

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

Prior to December 1, 2007, foreign investment in China was subject to regulation by the Catalogue promulgated in November 2004 by the National Development and Reform Commission, or "NDRC," and the Ministry of Commerce, or the "MOC." On October 31, 2007, the NDRC and the MOC revised the Catalogue, which became effective on December 1, 2007. Under the Catalogue promulgated in 2004, there were no prohibitions against investment by foreign enterprises in the cord blood banking industry in China. Under the Catalogue revised in 2007, however, foreign enterprises are prohibited from engaging in stem cell and gene diagnosis and treatment technology development and application. Since the revised Catalogue does not clearly define the scope of such prohibited business, it is uncertain whether it prohibits diagnosis and treatment technology development and application of stem cells only or if it prohibits all stem-cell-related technology development and application. Therefore, it is unclear whether our cord blood banking services will be construed as a prohibited business under the Catalogue revised in 2007.

Although the Catalogue revised in 2007 has no retroactive force and foreign enterprises approved to operate in China before their business becomes prohibited under the Catalogue revised in 2007 should be able to continue with their business in accordance with the approval they previously obtained, there is no assurance that such enterprises will continue to be able to renew their licenses in the future if the government authorities consider that renewal of their licenses would contravene the Catalogue revised in 2007. Moreover, we may not be able to obtain necessary approvals for our business expansion or acquisitions from the government authorities under the Catalogue revised in 2007. We also may not be able to extend the operating periods of our existing PRC subsidiaries. Jiachenhong, one of our PRC subsidiaries, has an operating period of twenty years and the license is subject to renewal which will expire in June 2013. Nuoya has an operating period of twenty years and the license is subject to renewal which will expire in May 2012. Lukou has an operating period of twenty years and the license is subject to renewal which will expire in September 2013. The contracts Jiachenhong, Nuoya and Lukou currently enter into with their subscribers are typically for a period of 18 years. If Jiachenhong is not able to extend its operating period, its operating period will not cover the period of the contracts entered into by Jiachenhong after September 2005 or Nuoya after June 1999 and they may have to be transferred to domestic investors or go into liquidation upon the expiration of its operating period. In addition, after the Catalogue revised in 2007 has been issued, we may not be able to obtain approval from relevant approval authorities for increasing the registered capital of Jiachenhong, Nuoya and Lukou, subscribing to the increased registered capital of Jiachenhong, Nuoya and Lukou, or making contributions for such capital with foreign currency sourced from overseas. If any of the above occurs, we may be required to change our business model or otherwise cease our business operations.

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

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

- The regulatory framework on the cord blood banking industry may not be sufficiently comprehensive to address all ranges of issues in connection with operation in the cord blood banking industry and to respond to the changes and developments in the industry. Before the existing laws and regulations are amended, PRC government authorities sometimes may establish internal policy guidance and follow this guidance in practice, and this policy guidance could vary among different DOHs and be inconsistent with written regulations.
- Stringent regulations and standards apply to various other aspects of our operations, including workers' safety, the maintenance of premises, and the handling and disposal of waste materials and hazardous substances. Failure to maintain the required standards can result in fines, an order to suspend the operations of our facilities until corrective measures are implemented or the revocation of our operating permits for such facilities or the denial of permission for their renewal. We comply with these regulations. A failure in complying with these regulations may have a material adverse effect on our operations.
- All collection devices and reagents used in our handling of cord blood units are regulated by the State Food and Drug Administration, or "SFDA," and we require our suppliers to comply with all applicable regulations. The SFDA could at any time require our suppliers to obtain prior approval or clearance for the storage containers as a medical device and to cease producing the storage containers prior to further use.
- We are required by PRC law to hire professional medical waste disposal firms to collect and dispose of medical waste produced in the process of collection, transportation, testing, processing and cryopreservation of cord blood. Such compliance costs may put extra strain on our financial resources.
- The government may change our licensing policy to require separate licenses be obtained for each type of cord blood banking services provided. If we are unable to obtain such approvals, licenses or permits for any reason, we may be required to terminate the provision of the service requiring license, in which case our business may be materially adversely affected.

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

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

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

We rely on trademark law, company brand name protection policies, and agreements with our employees, subscribers and business partners to protect the value of our brand name. In particular, we have applied to register the "⊙" logo as a PRC trademark. However, there can be no assurance that the measures we take in this regard are adequate to prevent or deter infringement or other misappropriation of our brand name. Among others, we may not be able to detect unauthorized use of our brand name in a timely manner because our ability to determine whether other parties have infringed our brand name is generally limited to information from publicly available sources.

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

Our strategic partnership with Cordlife may not be successful.

As of March 31, 2011, we paid an aggregate of AUD12.4 million in exchange for shares of Cordlife. In June 2010, we entered into agreement to underwrite a AUD11.6 million rights issue for Cordlife. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of RMB13.2 million (\$2.0 million or AUD2.0 million), satisfied in cash. On June 16, 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a demerger of Cordlife's more mature cord blood banking business. The demerger and distribution in specie were subsequently completed and effective on June 30, 2011. Cordlife was a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines. Before the demerger, Cordlife was experiencing a period of significant growth.

Cordlife implemented a restructuring by means of a demerger of Cordlife Singapore (and its operations) from Cordlife as of June 30, 2011. Before the restructuring, operations of the whole group were conducted under Cordlife. After the restructuring, developing cord blood banking businesses in Indonesia, India and the Philippines are operated under CBB; while more mature cord blood banking businesses in Singapore and Hong Kong are operated under Cordlife Singapore. As of June 30, 2011, we own a 16.1% equity interest in each of CBB and Cordlife Singapore. There are significant risks associated with CBB expansion into developing countries, because it may not have the necessary experience to develop localized versions of its business model and in marketing its services to target subscribers with different demographic characteristics. We may thus be unable to generate satisfactory return on our investment in CBB.

We entered into a marketing collaboration agreement with Cordlife HK on May 18, 2011 that we would help to promote and provide referral services to potential clients who have interests in delivering babies in Hong Kong where Cordlife HK operates, in return for a fee. The marketing collaboration arrangement may not be successful. We may not be able to generate satisfactory return on the arrangement.

Our strategic holdings in Cordlife may adversely affect our financial performance.

We continuously review and monitor our strategic investment in Cordlife (CBB and Cordlife Singapore after the demerger). The market value of our investment in Cordlife declined during the nine months ended December 31, 2008. Having considered the significance of the accumulated decline in the fair market value of the ordinary shares of Cordlife, the period of time during which market value of the shares had been below cost, and the market condition at that time, the management determined that the impairment loss on the investment up to December 31, 2008 was no longer other-than-temporary. As a result, accumulated impairment loss amounting to RMB37.4 million has been recognized in earnings during the year ended March 31, 2009 and the market value as of December 31, 2008 formed a new cost basis of our investment in Cordlife. Subsequent to December 31, 2008, there was an increase in the market value of the ordinary shares of Cordlife, resulting in total unrealized holding gain recognized in accumulated other comprehensive income as of March 31, 2010 and 2011 of RMB27.1 million and RMB19.3 million (\$3.0 million), respectively. Pursuant to the demerger of Cordlife Singapore from Cordlife as of June 30, 2011, we own a 16.1% equity interest in each of CBB and Cordlife Singapore. Should the value of shares in CBB or Cordlife Singapore experiences a further significant decline and we determine that the impairment is other-than-temporary, the further write-down of investment will have to be recognized in our statement of operations and this will adversely affect our financial performance.

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

A significant portion of our inventories, which consist of cord blood units donated by the public, consists of the handling costs attributable to the testing, processing and preservation of donated cord blood units. The handling costs include direct material costs and direct labor costs incurred in handling of donated cord blood units. We do not capitalize the related overheads of our facilities used to store these units. Donated cord blood units are valued at the lower of cost or market using the weighted average cost method. Since we do not expect to recognize revenue from such inventory within 12 months from the balance sheet date, we classify donated cord blood units as non-current assets on our balance sheet. The carrying value of our donated cord blood units was RMB31.6 million (\$4.8 million) as of March 31, 2011. Our management periodically reviews quantities of donated cord blood stored in our banks to determine if a write-down on inventory is necessary based on estimated demand for our matching services and other industry knowledge. We did not record any write-downs on our inventories for the years ended March 31, 2009, 2010 and 2011. If demand for our matching services is significantly different from our management's expectations, the valuation of donated cord blood units could be materially impacted.

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

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

Certain of these provisions provide for:

- having a classified board of directors with staggered three-year terms;
- requiring a special resolution, namely the affirmative vote of not less than seventy-five percent (75%) of the votes cast by the shareholders, generally to remove a director;
- providing for filling vacancies on the board only by the vote of the remaining directors or by a special resolution, namely the affirmative vote of not less than seventy-five percent (75%) of the votes cast by the shareholders in the meeting at which such directors are removed; and
- establishing the requirements and procedures for calling special meetings of shareholders, including a provision that provides that a special meeting of shareholders may only be called by a majority of directors, our chairman, or members together holding not less than seventy-five percent (75%) of the issued shares.

In addition, we have entered into service contracts with senior executive officers on June 30, 2009, namely, Ms. Ting Zheng, Mr. Albert Chen, Ms. Yue Deng, Ms. Rui Arashiyama and Ms. Xin Xu. Each contract is automatically renewed every three years until the death or incapacitation of the senior executive officer unless terminated by either party with notice. If a service contract is terminated by the relevant executive within 30 days following a change of control of our company, the executive will be entitled to (i) all the salary and guaranteed bonuses actually accrued and payable to him/her; (ii) immediate vesting of all of his/her unvested options; and (iii) a severance payment in the amount of \$5 million. The aggregate cost of the severance payments that would become payable at the option of the senior executive officers upon a change of control could discourage acquisition bids for CCBC. These anti-takeover provisions could make it more difficult for a third party to acquire CCBC, even if the third party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares.

As of June 30, 2011, Golden Meditech owned 39.6% of CCBC's issued and outstanding shares. CCBC's board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. At each of our annual meetings, as a consequence of CCBC's "staggered" board of directors, only a minority of the board of directors will be considered for election and Golden Meditech, because of its ownership position, has considerable influence regarding the outcome.

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

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

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

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

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

The global market and economic conditions during the years 2008 through 2010 were unprecedented and challenging, with recessions occurring in most major economies. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, and the availability and cost of credit have contributed to increased market volatility and diminished expectations for economic growth around the world. The difficult economic outlook has negatively affected businesses and consumer confidence and contributed to volatility of unprecedented levels.

Government responses to these events have included partial nationalization of certain industries and enterprises, “bail-out” packages intended to provide liquidity to market participants and several high profile acquisitions and bankruptcies. While global economies shown signs of stabilizing and, in some instances, the beginnings of recovery, during the summer of 2011, global markets have shown a continued weakening, which could have lasting effects on our business, our expansion plans and our ability to raise capital required to implement our expansion plans, the extent of which is difficult to predict.

The PRC economy also faces challenges. The PRC government has implemented various measures recently to curb inflation. If economic growth slows or an economic downturn occurs, our business and results of operations may be materially and adversely affected.

There is a risk that CCBC will be classified as a passive foreign investment company, or “PFIC,” which could result in adverse U.S. federal income tax consequences to U.S. investors.

In general, CCBC will be treated as a PFIC for any taxable year of CCBC in which either (1) at least 75% of its gross income (including the gross income of certain 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of its assets (including the assets of certain 25% or more owned corporate subsidiaries) produce, or are held for the production of, passive income. Passive income generally includes, without limitation, dividends, interest, rents, royalties, and gains from the disposition of passive assets. If CCBC is determined to be a PFIC for any taxable year (or portion thereof) of CCBC that is included in the holding period of a U.S. Holder (as defined in the section of this report captioned “Additional Information • Taxation • United States Federal Income Taxation • General”) for CCBC’s ordinary shares, the U.S. Holder may be subject to increased U.S. federal income tax liability upon a sale or other disposition of CCBC’s ordinary shares or the receipt of certain excess distributions from CCBC and may be subject to additional reporting requirements. Based on the composition (and estimated values) of the assets and nature of the income of CCBC and its subsidiaries during CCBC’s taxable year ended March 31, 2011, CCBC does not believe that it will be treated as a PFIC for such year. However, because CCBC has not performed a definitive analysis as to its PFIC status for such taxable year, there can be no assurance with respect to its PFIC status for such taxable year. There also can be no assurance with respect to the status of CCBC as a PFIC for its current taxable year or any future taxable year. U.S. Holders of CCBC’s ordinary shares are urged to consult their own tax advisors regarding the possible application of the PFIC rules. See the discussion in the section entitled “Additional Information • Taxation • United States Federal Income Taxation • U.S Holders • Passive Foreign Investment Company Rules.”

Risks Relating to Operations in China

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

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

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

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

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

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

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or "Circular 142", to regulate the conversion by foreign invested enterprises, or FIEs, of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-dominated capital of a FIE may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-dominated capital of a FIE. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. In the future, we may grow our business in part by acquiring additional cord blood banks in China. Compliance with Circular 142 may delay or inhibit our ability to complete such transactions, which could affect our ability to expand business.

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

Any significant revaluation of the Renminbi may have a material adverse effect on the U.S. dollar equivalent amount of our revenues and financial condition as well as on the value of, and any dividends payable on, our ordinary shares in foreign currency terms. For instance, a decrease in the value of Renminbi against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of your investment in our ordinary shares and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our common shares. As of March 31, 2011, we had cash denominated in U.S. dollars of \$12.6 million. Any further appreciation of Renminbi against U.S. dollars may result in significant exchange losses.

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

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

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

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

SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or "Notice 75," on October 21, 2005, which became effective as of November 1, 2005 and the operating procedures in May 2007, collectively the SAFE Rules. According to the SAFE Rules, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company. Moreover, the SAFE Rules have retroactive effect. As a result, PRC residents who had established or acquired control of offshore companies that had made onshore investments in the PRC before promulgation of the SAFE Rules were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. The SAFE rules define "PRC residents" to include both legal persons and natural persons who either hold legal PRC identification documents, or who habitually reside in China due to economic interests or needs. If any PRC resident fails to file its SAFE registration for an existing offshore enterprise, any dividends remitted by the onshore enterprise to its overseas parent after October 21, 2005 will be considered to be an evasion of foreign exchange purchase rules, and the payment of the dividend will be illegal. As a result, both the onshore enterprise and its actual controlling persons can be fined. In addition, failure to comply with the registration procedures may result in restrictions on the relevant onshore enterprise, including prohibitions on the payment of dividends and other distributions to its offshore parent or affiliate and capital inflow from the offshore enterprise. The PRC resident shareholders of the offshore enterprise may also be subject to penalties under Chinese foreign exchange administration regulations.

On May 20, 2011, the SAFE issued the Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies Operating Instruction, or “the Operating Instruction”, which provides explicit rules and simplifies procedures under Notice 75. The Operating Instruction concentrates on filing materials and procedures of foreign exchange registration, alteration registration, supplementary registration and cancellation registration of offshore special purpose vehicles, or “SPVs”, owned or controlled by domestic residents. According to the Operating Instruction, domestic resident individuals shall register with the local SAFE branch where the assets or equities of their domestic enterprises are located. Domestic resident individuals may establish SPVs overseas prior to the registration, however, such SPVs are not allowed to raise funds outbound, change equity interests or invest in reverse or make other substantial changes in capital or equity interests prior to the completion of the registration. When assets or equity interests of domestic enterprises are located in different areas, such domestic residents shall select a SAFE branch office in the area where one of the primary domestic enterprise is located, to comprehensively register with. Whenever SPVs change in financing matters, an alteration registration shall be made within 30 working days upon the receipt of the first batch of raised funds. The raised funds without alteration registration shall not be called back and utilized in the form of investment or foreign loan.

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

In January 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange, and the Operating Rules on the Foreign Exchange Administration of the Evolvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies, or “Circular 78.” Under Circular 78, where PRC domestic individuals are involved in the employee stock ownership plans or share option schemes of overseas listed companies, such plans or schemes must be submitted to competent foreign exchange administration authorities for approval, and the PRC employees shall entrust its agent or the affiliates or branches of the overseas listed company to apply to competent authorities for purchasing certain amount of foreign exchange at certain times each year, in order to purchase the stock or exercise its option right under the employee stock ownership plans or the share option schemes within the amounts approved by the authorities. In addition, the PRC employees involved must declare the progress of such plans or schemes to the administration authorities periodically. All the proceeds obtained by such employees from the overseas listed company through the employee stock ownership plans or the share option schemes, or from sale of the shares of such overseas listed company, after deducting relevant fees and costs incurred overseas, shall be remitted to the domestic account of the employees in full amount. On February 18, 2011, at our annual general meeting, our shareholders approved a restricted share unit scheme (or the “Incentive Plan”) which has a mandate limit of granting rights to receive ordinary shares not exceeding 10.0% of our issued and outstanding share capital, to directors, officers, employees and or/consultants of CCBC and our subsidiaries. As of September 27, 2011, no employee share options on restricted share units have been granted and are outstanding under the previous CCBC share option scheme or the Incentive Plan. All the options for the shares of CCBC or restricted share units to be granted to and all the stock ownership plans to be made for our PRC employees in the future, including exercise of the option rights and performance of such plans, would be subject to Circular 78 since CCBC is an overseas listed company. If we or our PRC employees fail to comply with the provisions of Circular 78, we and/or our PRC employees may be subject to fines and legal sanctions imposed by the SAFE or other PRC government authorities. If our PRC employees fail to obtain the approval from or make relevant registrations with SAFE or its local branches, it will prevent us from conducting the share option schemes, Incentive Plan or the stock ownership plans for our PRC employees. In addition, it may impose cost on us for obtaining the approval from SAFE or its local branches in connection with the foreign exchange registration.

In addition, the PRC employees involved in the Incentive Plan must be subject to approval by the competent foreign exchange administration authorities and make the registrations as required under Circular 78. We cannot assure you that the administration authorities would approve the Incentive Plan, or permit such PRC employees to go through the registration procedures. If this occurs, the management, operations and financial conditions of the listed company may be adversely affected.

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

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

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

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

On April 14, 2008, the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation jointly promulgated the Administrative Measures for Determination of High-tech Enterprises, or the "Measures for Determination," and the annex thereto (i.e. the High and New Technology Fields under the Key Support from the State). Under the Measures for Determination, the "high-tech enterprises" as mentioned in such Measures refer to the resident enterprises in sectors as listed in the High and New Technology Fields under the Key Support from the State, which have been registered for one year or longer within China (excluding Hong Kong, Macao and Taiwan regions), have incessantly devoted to the research and development as well as transformation of technological achievements, have formed their own independent core intellectual property rights and are carrying out business activities on such basis. On July 8, 2008, the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation further issued the Notice of Promulgation of the Guidelines for Determination and Administration of High-tech Enterprises (the "Guidelines"). Based on such Notice, the qualification for the enterprises which were registered both within and outside national high and new technology industries development zone (including Beijing new technology industries development experimental zone) and were classified as high-tech enterprises prior to the end of 2007 in accordance with previous laws shall remain valid if the validity period of their qualification has not expired, but such enterprises could not continue to enjoy the corresponding preferential tax treatment unless they could be redetermined as high-tech enterprises. Additionally, for high-tech enterprises which were granted tax exemption and reduction treatment for a certain period under previous laws and whose tax holiday has not expired, the abovementioned stipulations of Circular 39 shall continue to apply.

Jiachenhong has been redetermined as a high and new technology enterprise on December 24, 2008 and such status was valid retrospectively as of January 1, 2008 and expired on December 31, 2010. As a result, Jiachenhong was subject to a reduced tax rate of 15% during this period. Upon expiration of this period, Jiachenhong became subject to a 25% tax rate. Nuoya has been determined and acknowledged as a high and new technology enterprise on May 31, 2011 and such status has been valid retrospectively as of January 1, 2010 and is valid for three years. As such, Nuoya is expected to be subject to a reduced tax rate of 15%. However, we cannot assure you that Jiachenhong and Nuoya will be redetermined as high and new technology enterprises and thus continue to enjoy preferential tax treatment upon expiration. Furthermore, because the PRC government may adjust from time to time the encouraged sectors and the specific conditions for determination of high-tech enterprises in response to the development of national economics and technology, we cannot assure you that Jiachenhong and Nuoya will have their business operations continuously conform to the applicable conditions for determination of high-tech enterprises published by the government at any time. Once the business we are operating is considered by competent authorities to have substantive differences from the conditions for high-tech enterprise published by the government at that time, our certificates of high-tech enterprise may be revoked, and our position as a high-tech enterprises enjoying certain tax preferential treatment may be lost. Any further legislative changes to the tax regime could further increase the enterprise income tax rate applicable to, or provide for other adverse tax treatments for, our principal subsidiaries in the PRC, the result of which would have a material adverse effect on our results of operations and financial condition. We cannot assure you that Jiachenhong and Nuoya will be able to continue to enjoy our current preferential tax treatments.

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

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

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

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

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

Moreover, the State Administration of Taxation (“SAT”) released Circular Guoshuihan No. 698 (“Circular 698”) on December 10, 2009 that reinforces the taxation of certain equity transfers by non-resident investors through overseas holding vehicles. Circular 698 addresses indirect equity transfers as well as other issues. Circular 698 is retroactively effective from January 1, 2008. According to Circular 698, where a non-resident investor that indirectly holds an equity interest in a PRC resident enterprise through a non-PRC offshore holding company indirectly transfers an equity interest in the PRC resident enterprise by selling an equity interest in the offshore holding company, and the latter is located in a country or jurisdiction where the actual tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the non-resident investor is required to provide the PRC tax authority in charge of that PRC resident enterprise with certain relevant information within 30 days of the execution of the equity transfer agreement. The tax authorities in charge will evaluate the offshore transaction for tax purposes. In the event that the tax authorities determine that such transfer is abusing forms of business organization and a reasonable commercial purpose for the offshore holding company other than the avoidance of PRC income tax liability is lacking, the PRC tax authorities will have the power to re-assess the nature of the equity transfer under the doctrine of substance over form. If the SAT’s challenge of a transfer is successful, it may deny the existence of the offshore holding company that is used for tax planning purposes and subject the non-resident investor to PRC tax on the capital gain from such transfer. Since Circular 698 has a short history, there is uncertainty as to its application. We (or a non-resident investor) may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we (or such non-resident investor) should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations (or such non-resident investor’s investment in us).

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

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

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

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

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

The approval of the China Securities Regulatory Commission may be required in connection with this 20-F under a recently adopted PRC regulation, and, if required, we cannot currently predict whether we will be able to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or “CSRC,” promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006 and was amended on June 22, 2009 (the “M&A Regulation”). This M&A Regulation, among other things, has certain provisions that purport to require offshore special purpose vehicles, or “SPVs”, formed for the purpose of listing of the equity interests in the PRC Companies on an overseas stock exchange and directly or indirectly controlled by PRC individuals or companies to obtain approval from the CSRC prior to listing their securities on an overseas stock exchange. The application of this M&A Regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. We believe, based on the advice of JunZeJun Law Offices, our PRC counsel, that although the CSRC generally has jurisdiction over overseas listing of SPVs, it is not necessary to obtain CSRC approval for this filing because we are not controlled by Chinese legal or natural persons and therefore do not constitute an SPV under the M&A Regulation. Since the M&A Regulation was promulgated, the PRC government has not issued the implementing rules, and there may be some uncertainties as to how this M&A Regulation will be interpreted or implemented. If the CSRC or another PRC regulatory agency subsequently determines that the CSRC approval is required, we may face sanctions by the CSRC or other PRC regulatory agencies. If this happens, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, restrict or prohibit payment or remittance of dividends by its PRC subsidiaries, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ordinary shares. The CSRC or other PRC regulatory agencies may also take actions requiring or advising us to halt this filing.

The M&A Regulation also established additional procedures and requirements that could make merger and acquisition activities by foreign investors in China more time-consuming and complex, including requirements in some instances that the approval of the Ministry of Commerce shall be required in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In the future, we may grow our business in part by acquiring additional cord blood banks in China. Compliance with the requirements of the M&A Regulation to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand business.

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

In February 2009, the Chinese National People’s Congress promulgated the Criminal Law Amendment (7), which, among other things, provides that any government, financial institutions, telecommunications organizations, or transportation, education, health care institutions or similar institutions or their employees who illegally sell or provide personal information which is obtained in the process of performing their duties would constitute a crime. In the ordinary operations of our company, we have the opportunity to contact, obtain or be exposed to personal information of our subscribers and their close relatives. If we or some of our employees are found to violate the criminal law by illegally providing or selling our subscribers’ private information, we will be confronted with lawsuit and our reputation will be ruined. Therefore, we may have to devote more costs and management efforts to reinforce our internal control system to ensure that our subscriber’s individual information will not be illegally disclosed. In spite of this, our subscribers’ information may also be unexpectedly disclosed, and in some cases, we may, based on due reasons and through lawful channels, provide our subscribers’ information to a third person. There is no assurance that such third person would not violate the Criminal Law Amendment (7) and use the information it receives from us in the agreed manners. The law does not provide clearly whether we will be prosecuted or will be required to bear other legal responsibilities in the event the person who receives personal information from us abuses such information. There is a possibility that we will be claimed by our subscribers for our failure in protecting their private information and such claim may be supported by the court. We may also be subject to investigation from criminal judiciary or even criminal penalties.

Risks to our Shareholders

The market price for our ordinary shares may be volatile.

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

- actual or anticipated fluctuations in our quarterly operating results and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the markets for cord blood banking service;
- changes in the economic performance or market valuations of companies specializing in cord blood banking services;
- announcements by us and our affiliates or our competitors of new products, acquisitions, strategic relationships, joint ventures or capital commitments;
- addition or departure of our senior management and key research and development personnel;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;
- litigation related to our intellectual property;
- changes in market or investors perception toward U.S. listed Chinese companies;
- unfounded accusations by investors or non-investors about us or other U.S. listed Chinese companies;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares; and
- sales or perceived potential sales of our ordinary shares.

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

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

We are registered by way of continuation under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2010 Revision, as amended and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors and us, the rights of minority shareholders to institute actions, and the fiduciary responsibilities of our directors to us are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the latter of which has persuasive, but not binding, authority on a court in the Cayman Islands. Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States.

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

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

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

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

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

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

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

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

Under Cayman Islands law, we may only pay dividends out of our profits or our share premium account subject to our ability to service our debts as they become due in the ordinary course of business. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. We have not paid any dividends in the past. Future dividends, if any, will be at the discretion of our board of directors, subject to the approval of our shareholders, and will depend upon our results of operations, our cash flows, our financial condition, the payment of our subsidiaries of cash dividends to us, our capital needs, future prospects and other factors that our directors may deem appropriate. You should refer to "Information on the Company - Business Overview - Dividend Distributions" in this report for additional information regarding our current dividend policy for additional legal restrictions on the ability of our PRC subsidiaries to pay dividends to us.

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

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

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

- We incur costs in order to comply with U.S. corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as new rules implemented by the SEC and the Financial Industry Regulatory Authority, or FINRA.
- We incur costs in implementing and verifying internal control procedures as required by section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations thereunder.
- We are required under U.S. rules and regulations to attract and retain additional independent directors to serve on our board of directors. We may encounter difficulty in attracting and retaining qualified independent directors to serve on our board of directors and our audit committee.

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a Cayman Islands company registered by way of continuation in the Cayman Islands.

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

CCBS was incorporated on January 17, 2008 under the Companies Law (2010 Revision) of the Cayman Islands to become the direct holding company of CSC Holdings. CCBS has three operating subsidiaries in China: Jiachenhong, Nuoya and Lukou. CCBS holds an indirect 100.0% interest in Jiachenhong and an indirect 90.0% interest in each of Nuoya and Lukou. In addition, CCBS held an indirect 16.1% interest in Cordlife Limited, or "Cordlife," a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines which has undergone a demerger as of June 30, 2011 and we hold an indirect 16.1% interest in both CBB and Cordlife Singapore as of June 30, 2011.

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

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

In November 24, 2009, CCBC completed a public offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per share. An over-allotment issuance of 495,867 ordinary shares was completed in January 5, 2010. Total gross proceed raised (including the over-allotment issuance) amounted to \$23 million. The proceeds were intended to be used for the expansion into new geographical markets, including applications for new licenses and acquisitions and investments, and for the construction and upgrading of facilities in existing geographical markets. On November 19, 2009, CCBC was listed on the New York Stock Exchange (“NYSE”) with a ticker symbol “CO”.

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

In June 2010, we entered into agreement to underwrite the Cordlife rights issue which amounts to AUD11.6 million. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of RMB13.2 million (\$2.0 million or AUD2.0 million).

On September 15, 2010, we announced the execution of a framework agreement to form a non-wholly owned subsidiary with the Blood Center of Zhejiang Province. The new entity which completed business registration and regulatory approval procedures in February 2011, is 90% owned and controlled by us.

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

On December 10, 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. After giving effect to the warrant exchange and as of March 31, 2011, we had 75,406,875 ordinary shares issued and outstanding. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

B. Business Overview

Overview

We are the leading provider of cord blood banking services in China. We provide cord blood storage services for expectant parents interested in capturing the opportunities made available by evolving medical treatments and technologies such as cord blood transplants. We also preserve cord blood units donated by the public, provide matching services on such donated units and deliver matching units to patients in need of transplants. Our Beijing-based subsidiary, Beijing Jiachenhong Biological Technologies Co., Ltd., or Jiachenhong, was the operator of the first licensed cord blood bank in China. The PRC government only grants one cord blood banking license per province or municipality. According to a policy paper published by China’s Ministry of Health in December 2005, and also an extension notice published in February 2011, the PRC government intends to authorize up to ten cord blood banks. To date, it has authorized seven such licenses. Our operations currently benefit from multiple exclusive cord blood banking licenses issued in China, including our licenses for Beijing, Guangdong and Zhejiang. We also have a 19.9% equity interest in Qilu Stem Cells Engineering Company Limited, the operator of the exclusive licensed cord blood bank in Shandong province.

Our cord blood banking network is the largest in China. The aggregate number of births in our operating regions including Beijing, Guangdong and Zhejiang was estimated to be approximately 1.8 million in 2009, accounting for approximately 46% of the total newborn population in the seven provinces and municipalities that have been authorized or issued cord blood banking licenses to date, according to the National Bureau of Statistics of China. We believe our leading market position and track record of growing our subscriber base positions us well to continue to expand our presence in China. With a newborn population of approximately 16.2 million in 2009, China had the second largest newborn population in the world, according to the CIA World Factbook. Cord blood banking as a precautionary healthcare measure is still a relatively new concept in China, with penetration rates that we estimate to be less than 1% of China's overall newborn population. We expect the demand for cord blood banking services will grow significantly due to factors such as rapidly rising disposable income in the PRC, China's one-child policy, and increasing public awareness of the benefits of cord blood and haematopoietic stem cell related therapies. Furthermore, our position as the single largest shareholder with 16.1% (as of June 30, 2011) equity interest in CBB & Cordlife Singapore, with mature operations in stabilized markets such as Singapore and Hong Kong which also provides the foundation for further expansion into attractive markets such as India, Indonesia and the other countries in Southeast Asia.

We have developed a highly effective sales and marketing platform that has enabled us to consistently grow our cord blood subscriber base in the markets we serve. Our 339-person sales team has direct access to expectant parents through exclusive collaboration with over 230 hospitals in Beijing and Guangdong. We also cooperate with local government family planning agencies and utilize a variety of marketing programs, including media advertising, seminars and pre-natal classes, to further educate expectant parents on the benefits of cord blood banking. Our accumulated samples deposited by subscribers have grown from 23,322 in March 2007 to 185,830 in March 2011.

We generate substantially all of our revenues from subscription fees. The standard payment arrangement for our services consists of processing fees payable at the time of subscription and storage fees payable by our subscribers on an annual basis for as long as the contracts remain effective, which typically have a contract period of 18 years. The contracts can be terminated early by the parents at each anniversary of the contract or further extended, at the option of the children, after reaching adulthood. This payment structure provides us with a steady stream of recurring revenue and cash flow. The proportion of our storage fee revenue increased from 18.5% for the year ended March 31, 2010 to 20.9% for the year ended March 31, 2011. We expect the percentage of our recurring revenue will continue to grow as we expand our subscriber base.

We recorded revenues and net income of RMB339.5 million (\$51.9 million) and RMB91.7 million (\$14.0 million), respectively, during our fiscal year ended March 31, 2011.

Our Strengths

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

Leading Market Presence. We are the first and largest cord blood banking operator in China with an exclusive presence in Beijing, Guangdong and Zhejiang, and an investment in Shandong. As of the date of this report, only seven licenses have been authorized in China, and we are the only market player with multiple licenses and the only China operator with a pan-Asian platform. Amongst cord blood banking operators in China, we have the longest history of delivering high quality cord blood banking services and have established strong brand recognition, which has allowed us to grow our subscriber base from 23,322 in March 2007 to 185,830 in March 2011. We believe that our leadership and track record of accumulated subscriber growth makes us an attractive strategic partner for license holders and applicants and positions us well to continue to grow our leading position.

Extensive Hospital Network. We provide our services through exclusive collaboration with over 230 hospitals in Beijing and Guangdong. Our extensive hospital network provides us with a platform for performing cord blood collection services and allows our 339-person sales force to have direct access to expectant parents. We expect the number of our collaborating hospitals to continue to grow, which will help us further penetrate the markets we currently serve. Our collaborating hospitals and dedicated sales team have enabled us to establish ourselves as a quality cord blood banking service provider in the communities we operate.

Well-Developed and Effective Marketing Program. We have developed a comprehensive marketing program that aims to increase cord blood banking penetration in the markets we operate by educating expectant parents on the benefits of cord blood, including the following:

- Joint marketing efforts with our collaborating hospitals such as educational sessions at pre-natal classes and one-on-one discussions with our consultants,
- Cooperative relationships with several government agencies, including the family planning commission, and
- An extensive portfolio of promotional materials, including billboards and newsletters that offer detailed information on the importance of cord blood and haematopoietic stem cell therapy in the treatment of blood-related health conditions.

Advanced Infrastructure in Place to Meet Market Demand. We maintain an advanced infrastructure for the transportation, testing, processing and storage of cord blood. Our facilities in Beijing and Guangdong are equipped with state-of-the-art laboratories, storage cylinders, automated monitoring systems and advanced equipment to handle the testing, processing and storage of cord blood. With our existing and planned state-of-the-art equipment and advanced infrastructure in Beijing and Guangdong, we believe we have the ability and capacity to meet increasing market demand.

Experienced Management Team. Our core management team consists of experienced managers and preeminent medical experts, all of whom have in-depth knowledge and significant experience in one or more emerging healthcare sectors in China. Ms. Ting Zheng, our Chairman and Chief Executive Officer, has over 10 years experience in the field of corporate strategy in China's healthcare industry. Mr. Albert Chen, our Chief Financial Officer, is a CFA charterholder and has over eight years experience in the pharmaceutical and healthcare industries. Ms. Yue Deng, our chief executive officer in the Beijing division, and Ms. Rui Arashiyama, our chief executive officer in the Guangdong division, each has over 10 years of sales and marketing experiences in China and in-depth knowledge about China's consumer market and regulatory environment. Ms. Xin Xu, our Chief Technology Officer, has over 20 years of experience in Cryobiology research and lectured Cryobiology at Beijing Medical University. We believe our management's complementary backgrounds, deep experience and in-depth knowledge of China's healthcare sector provide a strong foundation for our future growth.

Our Strategies

The cord blood banking industry in China is at an early stage of development with significant growth opportunities, due to China's large population, one-child policy and rapid economic growth. Our goal is to significantly grow our business and build a reputable, committed, caring and socially responsible healthcare company through the following strategies:

Further Penetrate Existing Markets. We plan to further increase cord blood banking penetration in our existing markets by expanding our hospital network, broadening our sales and marketing team, and further promoting public understanding of the benefits of cord blood. Over the years, we have successfully expanded our network of exclusive collaboration with hospitals and aggregate subscriber base to over 230 hospitals and 185,830 subscribers as of March 31, 2011. Our operational track record and in depth understanding of our markets allows us to further increase penetration and grow our existing markets.

Acquire the Right to Operate additional Cord Blood Banks and invest in other cord blood banks in China. We intend to acquire the right to operate additional cord blood banks and invest in other cord blood banks in China through investments or acquisitions of existing operators of licensed cord blood banks and license applicants. We successfully completed the acquisition of a 90% ownership stake in Guangzhou Municipality Tianhe Nuoya Bio-engineering Company Limited, or Nuoya, which operates the Guangdong Cord Blood Bank, in May 2007 and a 19.9% investment in Qilu Stem Cells Engineering Company Limited, which operates the Shandong Cord Blood Bank, in May 2010. During the year ended March 31, 2011, we established a 90% owned subsidiary Zhejiang Lukou Biotechnology Co., Ltd. which now owns the exclusive license in conducting private and public cord blood storage services in Zhejiang province. We believe that our experience in license acquisition and our track record of growing our subscriber base and hospital network positions us to be the preferred strategic partner for license holders and applicants.

Expand Overseas Presence. We believe there are significant opportunities to expand our cord blood banking services into other attractive markets within Asia. We are the single largest shareholder with a 16.1% equity interest in CBB and Cordlife Singapore, the leading cord blood banking operators in Asia, as of June 30, 2011. CBB and Cordlife Singapore are providers of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines, countries with significant populations and annual births of 41,000, 52,000, 25.1 million, 4.5 million and 2.5 million, respectively, according to the CIA World Factbook. We plan to leverage on and further enhance our collaboration with CBB and Cordlife Singapore to expand our presence internationally. We believe our extensive expertise and track record will allow us to successfully become a leading pan-Asian cord blood banking platform.

Our Revenue Model

As described above, the payment for our services consists of processing fees payable at the time of subscription or by installments over a typical contract period of 18 years, depending on the payment option elected by subscribers, and storage fees payable by our subscribers on an annual basis for as long as the contracts remain effective. This payment structure enables us to enjoy a steady stream of long-term cash inflow. We expect such long-term cash flow to continue to increase as our subscriber base continues to grow. In addition, we generate a portion of revenue from the fees we charge in providing matching units we collect from public donors to patients in need of transplants.

Our direct costs consist of fixed costs and variable costs. Fixed costs primarily relate to depreciation of our storage facilities and rental expenses. Variable costs primarily relate to labor and raw material consumption. For the years ended March 31, 2009, 2010 and 2011, depreciation expenses, our most significant fixed cost, accounted for 12.6%, 18.3%, and 15.2%, respectively, of our direct costs (cost of revenue), and rental expenses accounted for 4.9%, 4.3%, and 3.2%, respectively, of our direct costs. Based on our operating experience and historical growth, we believe we will be able to generate sufficient processing and storage fees to cover our operating costs. Moreover, as cord blood banking services are not subject to price control by the PRC government, we have the flexibility to set and adjust our fees in response to changing market dynamics.

Our Competitive Strengths

Early Entrant Advantage with Multiple Cord Blood Banking Licenses in China. We were the first licensed cord blood bank operator in China. We have the license to operate in Beijing, Guangdong and Zhejiang. To date, the PRC government authorities has issued seven cord blood banking licenses in China. As the cord blood banking industry in China is at an early stage of development, we enjoy certain competitive advantages as an early entrant, including the following:

- Our Beijing-based subsidiary, Jiachenhong, was the first licensed cord blood bank operator in China. Since we have the longest operating history among a limited number of operators in China, we assist PRC governmental authorities whenever possible by providing our inputs and opinions in hopes of heightening industry standards and improving the regulatory framework for the cord blood banking industry in China.
- We have developed a reputable brand in delivering quality cord blood banking services. We believe that we have achieved consistently good results in terms of preserving our subscribers' cord blood deposits. We have provided more than 200 matching units of cord blood to patients in need of transplants and for supplementary medical treatment since commencement of operations.

- We have access into cord blood banking licensing in Beijing, Guangdong and Zhejiang, three out of the seven licensed regions in which the operation of cord blood banks is permitted in China. The PRC government plans to issue cord blood banking licenses in up to three additional regions by 2015. As the licensing process requires applicants to demonstrate their ability to preserve cord blood for use in stem cell transplants, we believe our familiarity with the regulatory framework, combined with our established track record and reputable brand, gives us a competitive advantage in obtaining additional licenses in the future.

Extensive Hospital Networks in Our Existing Markets. We provide our services through collaboration with selected hospitals in our operating regions. Our hospital networks offer us the platform for performing cord blood collection services and undertaking a significant portion of our sales and marketing activities. Our focus on building an extensive hospital network by collaborating with hospitals has contributed to our successful growth. We have established collaborative relationships with 100 major hospitals in Beijing. Since we completed the acquisition of Nuoya in May 2007, we have over 130 major hospitals participating in our hospital network in Guangdong and expect to further develop our network in this market.

We expect the number of our collaborating hospitals to continue to grow, which will help us further penetrate our target markets. Our collaborating hospitals and dedicated sales team have enabled us to establish ourselves as a quality cord blood banking service provider in the communities in which we operate.

Well-Developed and Effective Marketing Program. Cord blood banking as a precautionary healthcare measure is a relatively new concept in China. To increase penetration in our existing markets, we have developed a comprehensive marketing program targeting expectant parents, the general public, government agencies and non-profit organizations, including the following:

- We undertake various joint marketing efforts with our collaborating hospitals, including educational sessions for expectant parents at pre-natal classes, one-on-one discussions with expectant parents, and the assignment of designated consultants to answer questions from expectant parents. To ensure quality services we require these consultants to complete a training program before approaching prospective subscribers.
- We educate the public on the benefits of cord blood banking through an extensive portfolio of promotional materials, billboards and newsletters that discuss in detail the importance of cord blood and haematopoietic stem cell therapy in the treatment of blood-related health conditions.
- We maintain cooperative relationships with several government agencies, such as Beijing Population and Family Planning Commission, to educate newly-weds about the benefits of cord blood banking services in classes organized by the agencies.

Advanced Infrastructure in Place to Meet Market Demand. We maintain an advanced infrastructure for the transportation, testing, processing and storage of cord blood and have devoted considerable management and financial resources in upgrading and improving our facilities and supporting infrastructure. Our facilities in Beijing are equipped with state-of-the-art laboratories, storage cylinders, automated monitoring systems and advanced equipment to handle the testing, processing and storage of cord blood. To date, we have spent RMB311.1 million (\$47.5 million) to build our infrastructure. The total number of units stored at our cord blood banks amounted to 94,288, 142,930 and 202,449 as at March 31, 2009, 2010 and 2011, respectively. As at March 31, 2011, we had extra capacity to store approximately 547,000 additional units for Beijing and Guangdong combined. With our existing and planned state-of-the-art equipment and advanced infrastructure in Beijing and Guangdong, we believe we have the ability to further increase our capacity to meet increasing market demand.

Capable and Experienced Management Team. Our core management team consists of experienced managers and preminent medical experts, all of whom have in-depth knowledge and solid experience in one or more emerging healthcare sectors in China. Golden Meditech is a publicly traded company on the Hong Kong Stock Exchange Main Board with a track record of operating in several emerging healthcare sectors in China. Due to its long operating history in the healthcare industry, Golden Meditech has established strategic partnerships with a large number of hospitals, distributors and regulatory agencies, which provide us a valuable network to develop our hospital network. As a distinct entity, we operate all aspects of our business without undue reliance on Golden Meditech and have independent access to suppliers and distribution channels.

Our Cord Blood Banking Services

Our cord blood banking operations primarily consist of our subscription services, which involve the preservation of cord blood for expectant parents as a precautionary healthcare measure for the benefit of their children and other family members. Our subscription services accounted for 99.2%, 99.5% and 99.4% of our revenues for the years ended March 31, 2009, 2010 and 2011, respectively.

We have developed hospital networks by entering into collaborative agreements with hospitals located in Beijing and Guangdong, where we are licensed to operate. Our collaborating hospitals collect the cord blood of the newborns of our subscribers and we pay them handling fees for the collection services provided. Our collaborating hospitals are required by our contracts to offer cord blood collection services to us on an exclusive basis. We are currently in a startup phase regarding our new Zhejiang operation.

Our subscribers are required to enter into a subscription contract with us prior to the birth of their children. The contract provides for the collection of cord blood from their newborns at one of our collaborating hospitals and preservation of the cord blood for an initial storage period up to 18 years. On the 18th anniversary, the child, who will have reached adulthood, will have the exclusive right to decide whether to extend the subscription for our services or to relinquish ownership of his or her cord blood for donation to our banks. Prior to January 1, 2008, we offered our subscribers three payment options: (1) payment of a one-time processing fee of RMB5,000 and a storage fee of approximately RMB500 payable each year for a period up to 18 years; (2) payment of a one-time processing fee of RMB5,000 and an annual storage fee of approximately RMB500 in one lump sum with a discount at 20% on the total storage fees payable over the contract period; and (3) payment of a processing fee at an installment of RMB1,100 at the time of subscription and an annual installment of RMB300 payable each year at each anniversary of the subscription, in which case our subscribers pay an additional amount of RMB1,200 compared to payment options (1) and (2), as well as payment of the storage fee of approximately RMB500 payable each year for a period up to 18 years. Between January 1, 2008 and January 31, 2009, we suspended payment option (2) to our subscribers while we continued to offer payment options (1) and (3) to our subscribers. Starting from February 1, 2009, subscribers can choose to make a bullet payment of 18 years of storage fees but without any discount, together with the one-time processing fee of RMB5,000. In addition, we offer medical practitioners, including doctors, nurses or other medical professionals, our services at a discount of 30% from time to time. See "Operating and Financial Review and Prospects • Factors Affecting Our Financial Condition and Results of Operations • Payment Methods for Subscribers." We offer one-stop-shop services for our subscribers. Following the signing of the subscription contract, we notify the collaborating hospital chosen by our subscriber so that the hospital can arrange for one of its certified medical practitioners to collect the cord blood of the newborns of our subscribers. The cord blood collected is then transported to our facilities for testing, processing and storage. We act as the custodian of the cord blood stored at our facilities during the term of the subscription contract.

Given China's strengthening economy and rising incomes, the management team decided to increase the processing fee by 16% effective for all subscription agreements signed after April 1, 2011, from RMB5,000 to RMB5,800, with storage fees remaining at approximately RMB500 per year.

Our remaining revenues are derived from matching services we provide and the matching cord blood unit we deliver to patients in need of transplants. These services accounted for 0.8%, 0.5% and 0.6% of our revenues for the years ended March 31, 2009, 2010 and 2011, respectively.

We accept and preserve cord blood donated by the general public and have created a database containing information of the human leukocyte antigen profiles and characteristics of the donors on an anonymous basis. We require our donors to deliver their newborns at one of our collaborating hospitals. Another source of donations in the future may be the cord blood of the newborns of our former subscribers who cease subscription for our services at the end of 18 years and do not demand return of their cord blood units and the cord blood units stored by our subscribers who fail to pay. We require our employees to fully inform all prospective subscribers of our policy of releasing cord blood units to our cord blood inventory in such circumstances, and our subscribers are required to give their consent to this policy when subscribing for our storage services. In the opinion of our PRC counsel, JunZeJun Law Offices, a consent of this nature is enforceable under PRC law. Based on information available to us, treating cord blood units abandoned by former subscribers and releasing such units to cord blood bank inventory available to patients in need of transplants is a common practice followed by cord blood bank operators in China.

We search, upon request, for possible matches among the donated cord blood units stored in our cord blood banks and provide one or more matching units to the patient in need of transplant. Further, Jiachenhong is affiliated with AsiaCORD. We are permitted to charge a fee that reflects the costs of our matching services provided and the matching units delivered. As of March 31, 2011, we generally charge a fee of RMB15,000 (\$2,291) for providing one or more matching units in a cord blood transplant. For the years ended March 31, 2009, 2010 and 2011 the number of successful matches found for cord blood transplants among the cord blood units donated by the public and stored at our facilities were 21, 20 and 60, respectively. In addition, during the years ended March 31, 2009, 2010 and 2011, there were 45, 57 and 86 donated units, respectively, used in supplementary therapies.

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

	For the year ended March 31,		
	2011	2010	2009
New subscriber sign-ups	56,518	45,252	34,678
New donations accepted ⁽¹⁾	3,001	3,390	698
Total	59,519	48,642	35,376

	As of March 31,		
	2011	2010	2009
Units deposited by subscribers ⁽²⁾	185,830	129,312	84,060
Units contributed by donors ⁽¹⁾	16,619	13,618	10,228
Total⁽²⁾	202,449	142,930	94,288

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

(2) Includes subscribers who are delinquent on payments and for whom we have ceased to recognize revenue generated from storage fees.

Preservation of Cord Blood

Preservation of cord blood consists of the following major steps:

- **Collection.** Our subscribers and donors must give birth to their newborns at one of our collaborating hospitals in order to use our services. We communicate with the hospital to arrange for a certified medical practitioner to work on the case. When our subscriber gives birth to the newborn, the practitioner clamps the newborn's umbilical cord at birth and drains the blood from the cord into specialized container. Although we are not responsible for the collection, we provide a kit that contains the medical devices necessary for the collection procedure. Most umbilical cords yield approximately three to five ounces of blood.
- **Transportation.** After collection, the cord blood is transferred to our cord blood bank within 24 hours in specialized containers where temperature changes can be controlled and monitored. If necessary, the cord blood retrieved is stored in a designated refrigeration unit at the maternity ward in the hospital prior to our arrival. We have a team of transportation specialists responsible for the delivery of cord blood units from our collaborating hospitals to our facilities in specially designed containers to ensure the viability of the haematopoietic stem cells during transit. Each cord blood unit is assigned a barcode so that it can be tracked easily throughout processing, storage and restoration.

- **Testing.** We conduct several tests on the unit to retrieve information that will be essential to its future use in a transplant. Such information includes volume of cord blood collected, number and viability of nucleated cells, sterility, blood type and density of haematopoietic stem cells, commonly known as cell count. We also test the maternal blood sample for infectious diseases, viruses and bacteria.
- **Processing.** Cord blood undergoes processing and separation procedures which ultimately extract the haematopoietic stem cells for subsequent storage.
- **Storage.** After testing and processing, we freeze the cord blood unit in a controlled manner and store the unit using liquid nitrogen. The liquid-nitrogen storage freezer in which the haematopoietic stem cells are stored after their initial processing is equipped with a thermostatic control to ensure storage at minus 196 degrees Celsius. The entire processing and storage of haematopoietic stem cells at our cord blood bank is documented and closely monitored to ensure the integrity of all cord blood units and the veracity of all data.

Sales and Marketing

As at March 31, 2011, our sales force (including after sales support) consists of a Beijing-based team with approximately 136 employees and a Guangdong-based team with approximately 203 employees. Their compensation consists of base salary and performance-based bonus assessed on a quarterly basis. Newly hired sales staff are required to successfully complete an intensive orientation training lasting for more than two months before approaching target subscribers. They are required to attend continuous on-the-job training and pass periodic performance evaluation.

Our hospital networks offer us the platforms where a significant portion of our sales and marketing activities are undertaken. We have established collaborative relationships with 100 major hospitals in Beijing. Since we completed the acquisition of Nuoya in May 2007, over 130 major hospitals have joined in our hospital network in Guangdong.

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

- **Activities targeting prospective parents.** We maintain our hospital networks with 100 major hospitals in Beijing and over 130 major hospitals in Guangdong. We assign consultants to each hospital with which we collaborate, and the consultant oversees our sales initiatives and directly interacts with the prospective subscribers in that hospital. The arrangement enables us to interact directly with expectant parents, distribute promotional leaflets and marketing materials to expectant parents and their family members, and set up information booths at designated areas where members of our sales team can interact with potential subscribers and answer questions. We also work with various community centers to organize prenatal classes and other events for expectant parents.
- **Education of the medical community.** To increase public awareness of the benefits associated with cord blood banking services, we educate obstetricians, childbirth educators, and hospitals on the benefits of cord blood preservation and offer educational seminars at our premises.
- **Advertising efforts.** Cord blood banking as a precautionary healthcare measure is a relatively new concept in China. Most people are not aware of the medical benefits that haematopoietic stem cells offer for the child as well as the family. We attempt to inform and educate our potential subscribers about these benefits. We have successfully lobbied for references to our cord blood banking services in booklets and various public information materials prepared by the Beijing Population and Family Planning Commission for distribution to all expectant parents in the region. To broaden the reach of our services to our target population, we advertise on billboards at hospitals and community centers, publish articles in newspapers and publications, and sponsor government campaigns concerning personal healthcare awareness, such as conferences on the medical use and application of cord blood technology. To increase the public awareness of our cord blood banking services, we sponsor television programs and talk shows to increase our visibility.

Raw Material Supplies

We require collection kits, liquid nitrogen and test reagents for our operations. The majority of materials and supplies used in our cord blood banking business are readily available, and their prices have remained generally stable. We periodically evaluate our terms with our existing raw material suppliers to determine whether we should seek potential suppliers with more favorable commercial terms. To date, we have not encountered any material shortage or price fluctuation that had a material adverse effect on our business.

It is our policy to maintain multiple vendors for major raw material supplies in order to diversify the sources of our raw material supplies. A significant portion of our raw materials, however, have been sourced from a few major suppliers. The following are purchases from suppliers that individually comprise 10% or more of our gross purchases for the periods indicated:

	For the year ended March 31,						
	2011		%	2010		2009	
	\$	RMB		RMB	%	RMB	%
	(in thousands except for percentages)						
Beijing Zhu You Ying Kang Technology Development Co., Ltd.	1,155	7,562	22	4,973	19	2,881	15
Hangzhou Baitong Biological Technology Co., Ltd.	950	6,224	18	5,192	19	3,381	17
Fenwal Dahua Pharmaceutical Technology (Shanghai) Co., Ltd.	858	5,617	16	7,340	27	4,425	22
Beijing Probe Biological Technology Co., Ltd.	529	3,463	10	3,336	12	2,181	11
Total	3,492	22,866	66	20,841	77	12,868	65

Cord blood collection services are performed in the same hospitals where our new subscribers give birth. Historically, most of our cord blood collection services have been performed through a limited number of hospitals. For the year ended March 31, 2011, one hospital in Beijing accounted for approximately 4% of the total number of cord blood collection procedures performed for our subscribers. We believe that such concentration is normal because our target subscribers are concentrated in a small number of popular hospitals in our existing markets.

Facilities

As of March 31, 2011, we maintain facilities in Beijing and Guangdong. The following table sets forth certain information relating to the premises we occupy:

Premises	Nature of use	Terms of use	Area occupied (in square meters)
Beijing	Laboratories, storage facilities for cord blood units and office space	Acquired in November 2006 for a consideration of RMB28.6 million for a term of 40 years.	9,600
		Leased at a monthly rent of RMB120,000. The lease will expire in December 2014.	1,920
Subtotal			11,520
Guangdong	Laboratories, storage facilities for cord blood units and office space	Leased at a monthly rent of RMB310,080. The lease will expire in September 2028.	5,168
Total			16,688

Our facilities in Beijing and Guangdong are equipped with a customer relationship management system. The system has been customized to monitor our sales performance, monitor testing processes and results on a case-by-case basis, keep real-time record of storage movement in cord blood banks, handle billing matters, and track customer hotline interactions.

As at March 31, 2011, our cord blood bank in Beijing had design storage capacities of 500,000 units. As at March 31, 2011, our cord blood bank in Guangdong had design storage capacities of 250,000 units. We believe that we have the requisite expertise and resources to expand our storage capacities to meet the growing demand for our services.

Quality Assurance

Our cord blood banking operations in Beijing has been accredited with GB/T19001-2000 (which is equivalent to ISO-9001), which are the national standards for quality control in China. Our laboratories in Beijing and Guangdong comply with the Good Laboratory Practice, or “GLP”, standards.

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

We maintain a comprehensive quality assurance program to ensure that we are in compliance with applicable quality standards. To illustrate, our collaborating hospitals collect the cord blood from the newborns of our subscribers with a collection kit containing the necessary tools and instruments that it prepares and provides to the hospitals in advance. We also take charge of the transportation of the cord blood from the hospitals to our facilities to ensure the quality of the cord blood does not deteriorate prior to reaching our facilities. When the cord blood arrives at its facilities, we begin testing and processing, including physical examination, whole blood cell and flow-cytometry counting, cultivation tests and microbe tests such as HIV, bacterial and virus tests. The testing results are verified by our officer in charge. Qualified cord blood units will then undergo a computer-controlled preparatory freezing process through which the cord blood units will be lowered to -90°C prior to cryopreservation. Throughout the process, our staff will monitor and verify that all information in relation to every cord blood unit is properly and accurately documented.

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

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

Competition

To date only seven cord blood banking licenses have been issued by PRC government authorities. We are the operator of the sole cord blood banking licensee in Beijing, Guangdong and Zhejiang. We also have an investment of approximately 19.9% equity interest in Qilu, the exclusive cord blood bank operator in the Shandong province. The operators of the other three cord blood banking licensees are Eastern Union Stem Cell & Gene Engineering Co., Ltd. in Tianjin, Shanghai Stem Cells Technology Co., Ltd. in Shanghai and Sichuan Stem Cells Co., Ltd. in Sichuan. The MOH has been following a “one license per region” policy, which precludes more than one cord blood banking licensee from operating in the same region.

According to a policy paper published by the MOH in December 2005 and also an extension notice published in February 2011, cord blood banking licenses will be issued in up to three additional regions by 2015. We will seek to expand our geographical coverage by acquiring or collaborating with one or more successful applicants for licenses in the other regions. Hence, we may need to compete with existing cord blood bank operators as well as other new market entrants for such licenses or acquisitions. These companies may have greater financial resources, stronger marketing capabilities and higher level of technological expertise and quality control standards than us. In addition, we may face competition from foreign-invested cord blood banking service providers in China with longer operating history, greater capital resources, more efficient management and higher level of technological expertise than us.

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

Finally, we intend to diversify our revenue sources by offering ancillary services, such as offering selected healthcare services for infants or offering the database we compiled from the genetic profiles and characteristics we gathered from donors for our banks to pharmaceutical companies for their clinical trials. We expect to face competition from companies that offer similar services such as hospitals, clinics, medical institutions and other research institutes in the medical industry.

Employees

As at March 31, 2009, 2010 and 2011, we had 419, 541 and 610 full-time employees, respectively. The following table sets forth the number of employees based in Beijing and Guangdong respectively and categorized by function as at March 31, 2011:

	<u>Beijing</u>	<u>Guangdong</u>
Sales and marketing and after-sales support and services	136	203
Laboratory technicians	50	69
Management and administration	96	56
Total	<u>282</u>	<u>328</u>

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

Insurance

Currently, we maintain insurance coverage of RMB50.0 million (\$7.6 million) to cover our liabilities arising from collection, testing and processing of cord blood units and an additional RMB100.0 million (\$15.3 million) to cover liabilities arising from storage of cord blood units. Under our insurance policies, we will be entitled to insurance payments equal to losses arising from the destruction or loss of cord blood units stored by subscribers in the event that we are required to provide such units according to our contract obligations to our subscribers who needed such units for transplants; provided, however, the payments to which we are entitled in each incident are capped at RMB200,000 per person and RMB4.0 million in the aggregate.

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

We do not maintain any property insurance policies covering our facilities and vehicles for losses due to fire, earthquake, flood and other disasters, nor do we maintain business interruption insurance due to the limited coverage of such insurance in China.

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

Intellectual Property

We consider our trademark critical to the success of our business. In this regard, we have applied for the registration of “” logo as a trademark in China. We also recognize the need to protect our trademark and will continue to take commercially viable steps to enforce our trademark rights against potential infringers.

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

Information Technology

Our information technology system was developed by an independent third party and tailored to our unique business and operational needs. To ensure our information technology system is capable of handling our constantly evolving business environment and our expanding subscriber base, we retain software developers to maintain and upgrade our system. As at March 31, 2011, we had spent approximately RMB4.9 million (\$0.7 million) to develop the ERP system at our facilities in Beijing and Guangdong.

We maintain close contact with our system developers to ensure our system is capable of handling the increasing amount of data as our subscriber base continues to grow. Our system currently operates on a Microsoft SQL Server 2000 platform and we have built upon the Microsoft platform in order to develop a larger and more comprehensive database and management system nationwide.

Research and Development

We conducted research and development activities internally. For the year ended March 31, 2011, we incurred approximately RMB7.0 million (\$1.1 million) research and development expense, derived from internal research and development effort.

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

On November 13, 2009, Nuoya entered into an cooperation agreement on an exclusive basis with Guangdong Women and Children's Hospital and Health Institute ("GWCH") for a term of 20 years pursuant to which GWCH would assist Nuoya to establish distribution networks at the hospital to promote the subscription of cord blood banking services by the expectant parents, provide assistance in examining hereditary diseases, monitor the quality control of the cord blood units collected, provide technical and consulting services to Nuoya. In return, GWCH is entitled to an aggregate amount of RMB2.0 million annual advisory fee for providing technical consultancy services.

Investment in Cordlife

In June 2010, we entered into agreement to underwrite Cordlife's rights issues for a total capital raise in the rights issue of AUD11.6 million. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of RMB13.2 million (\$2.0 million or AUD2.0 million), satisfied in cash. On June 16, 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a demerger of Cordlife more mature cord blood banking business. The demerger and distribution in specie were subsequently completed and effective on June 30, 2011. Cordlife, a publicly traded company on the Australian Securities Exchange is a healthcare company with cord blood banking services as its main business line. During the year ended March 31, 2011, our interest in Cordlife was categorized as available-for-sale securities on our balance sheet and we did not consolidate or account for under the equity method our share of Cordlife's operating results and net assets during such period. After the demerger, we now hold 16.1% of CBB and Cordlife Singapore. Our investment in CBB is classified as available-for-sale securities and our investment in Cordlife Singapore is classified as cost method investment.

Currently, CBB is a provider of cord blood banking services in India, Indonesia and the Philippines and Cordlife Singapore is a provider of cord blood banking services in Singapore and Hong Kong. Before the demerger, Cordlife was experiencing a period of significant growth. In 2006, Cordlife established a joint venture with a local partner in India to construct a cord blood bank, and formed a joint venture with a local partner to expand its cord blood bank business in Indonesia. As of March 31, 2011, we paid an aggregate of AUD12.4 million in exchange for shares of Cordlife. Such shares represented 16.1% equity interests in both CBB and Cordlife Singapore, subsequent to demerger as of June 30, 2011.

Investment in Qilu

We have invested in a 19.9% equity interest in Qilu, the exclusive cord blood bank operator in the Shandong province for a cash consideration of approximately \$20.5 million in May 2010. Pursuant to the memorandum of Qilu, existing shareholders are entitled to the right of first refusal on future transfers of Qilu equity interest. We do not have any representation on the Board of Directors of Qilu and do not have control or significant influence in Qilu. Therefore, we do not consolidate or account for under the equity method our share of Qilu's operating results and net assets, but recognize the investment at cost less impairment losses. Qilu operates in the Shandong province. Based on China Statistical Yearbook 2009, over 1.1 million babies were born within Shandong province during 2009. We believe Shandong represents a very sizable market opportunity. In 2009, Shandong's gross domestic product grew at a robust rate of 9.6% to RMB3,390 billion, according to China Statistical Yearbook 2009. We believe such strong underlying fundamental growth presents a very unique and attractive business opportunity for Qilu, the exclusive operator in Shandong province.

Investment in Lukou

During the year ended March 31, 2011, we acquired the right to operate the cord blood bank in the Zhejiang province for a cash consideration of approximately \$12.5 million and established a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd.. Lukou, which is 90% owned by us, which is the exclusive cord blood bank operator in the Zhejiang province to provide cord blood stem cells storage service for expectant parents as well as preserving cord blood units donated by the public. As of the date of this report, Lukou has not commenced full scale operation.

Legal Proceedings

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

Our Industry

Overview

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

Due to the ability to develop into different cell types in the human body, stem cells can potentially be used to treat a wide range of diseases. According to Frost & Sullivan, as of August 31, 2007, there have been more than 10,000 stem cell transplants in the world.

Compared with approximately 210 major types of differentiated cells, there are only three major types of stem cells in the human body:

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

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

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

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

Global Cord Blood Banking Industry

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

Global Demand for Cord Blood Banking Services

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

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

According to the U.S. Census Bureau, the population of the world has reached approximately 6.9 billion in June 2010 and the number of newborns each year is currently between 70 and 80 million worldwide. The U.S. Census Bureau projects that the population and number of newborns worldwide will continue to grow.

Global Supply of Cord Blood Banking Services

The success of stem cell transplants depends on the availability of stem cell supplies. In response to the increasing utilization of stem cells in medical treatments, cord blood banks have increased in number significantly worldwide to provide the cord blood units necessary for medical treatments. According to Frost & Sullivan, the number of cord blood bank operators that provide storage services increased significantly from 29 in 2000 to 84 in 2003 and 157 in 2007.

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

Cord Blood Banking Industry in China

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

Current Market Conditions

According to a policy paper published by the MOH in December 2005 and also an extension notice published in February 2011, cord blood banking licenses will be issued in up to three additional regions by 2015. According to the same policy paper, only one license will be granted to a cord blood bank operator in a designated provincial level region. Under this policy, cord blood banks licensed to operate in a particular region have the advantage of becoming the sole licensed operator in that region.

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

Drivers for Future Growth

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

- **Large number of newborns.** According to the National Bureau of Statistics of China, China had a population of 1.3 billion persons and 16.2 million newborns as of and for the year ended December 31, 2009. The large number of newborns in China provides substantial potential for cord blood bank operators in China to grow their subscriber base. Even a single region in China can have a very significant population. Guangdong, with a population of over 96 million people in 2009, has a larger population than many countries in the world, and there are two other regions in China of similar size. More than half of the regions in China have a larger population than California, and even Beijing, with a population of almost 18 million in 2009, has a larger population than all but four states in the United States.
- **Growth in GDP and urban disposable income and increasing focus on healthcare.** According to the National Bureau of Statistics of China, GDP per capita in China grew by 22.2%, 17.5% and 7.9% in 2007, 2008 and 2009, respectively. As average disposable income rises, families are likely to spend an increased proportion of their disposable income on healthcare, including subscriptions for cord blood banking services. According to the MOH, China's healthcare expenditures grew from RMB458.7 billion in 2000 to RMB1,129.0 billion in 2007, representing a compound annual growth rate of approximately 13.7%.
- **One-child policy in China.** China has adopted a "one-child" policy, which has curtailed, subject to limited exceptions, families from having more than one child. This gives Chinese parents the incentive to store cord blood stem cells from their only child as it is difficult to obtain matching stem cells if that only-child needs a transplant. As the public awareness of benefits associated with cord blood banking increases, an increasingly large number of Chinese parents are expected to subscribe for cord blood banking services in order to enhance the survival chances of their children in the event of a critical illness, such as leukemia. Further, the "one-child" policy may increase the usage of cord blood banking services because there are no bone marrow cord blood units available from siblings which may potentially match the patient in need of transplants.
- **Increasing public awareness of the benefits associated with cord blood banking services.** Operators of cord blood banks in China focus their sales and marketing efforts in hospitals, prenatal clinics and wedding registries to increase the public awareness of the benefits associated with cord blood banking by providing potential customers education on cord blood banking procedure and potential benefits. Continuous customer education and expanded sales and marketing networks enable the operators to tap into a potential sizeable market with increased penetration rates and enlarged subscriber base.
- **Additional diseases that stem cells can be used to treat.** Based on publicly available information, cord blood stem cells can be used to treat approximately 80 types of diseases. As stem cell therapy continues to develop in China and elsewhere in the world, medical practitioners are likely to continue to discover diseases that can be treated by stem cell therapies.

Regulation

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

- the MOH;
- the State Food and Drug Administration;
- the State Administration of Foreign Exchange;
- the Ministry of Commerce; and

- the National Development and Reform Commission.

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

PRC Regulation on the Cord Blood Banking Industry

The MOH is responsible for the regulation and supervision of cord blood banks in China, including promulgation of rules and regulations in response to the developments in the cord blood banking industry. Cord blood banking is an emerging industry in China. Therefore, the regulatory framework of the cord blood banking industry in China is under development and may not be as fully developed as that in other countries.

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

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

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

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

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

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

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

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

The license is valid for a term of three years which may be renewed three months prior to expiration with the relevant DOH. The licenses held by cord blood banks in Beijing, Guangdong and Zhejiang operated by us are currently valid and effective, which expire on June 29, 2013, May 13, 2012 and September 21, 2013 respectively. Except as disclosed above, we do not believe it will be difficult for us to continue to renew either license in the future and there is currently no fee payable to have such licenses renewed. Licensees are subject to periodic and random inspections by the DOH, including inspections on the conditions of laboratories, storage facilities, equipment and raw material supplies and the qualification, training and competency of the technicians as well as the conduct of their business operations. Cord blood banks are required to obtain consents from the donors when they collect and accept cord blood units from the public.

Currently, there are no price controls on the cord blood banking industry in China. Therefore, cord blood bank operators have the flexibility to set their prices for the cord blood banking services they provide. However, such price-setting flexibility will be reduced, if, as part of the implementation of medical and healthcare reforms in China, the PRC government decides to introduce price controls into the cord blood banking industry. If the government were to introduce price controls or otherwise impose a price cap on the services we offer in the near future, we will not be able to continue to enjoy the flexibility to set and adjust the fees we charge for our services in response to changing market dynamics in which case our financial condition, our investment and results of operation may be materially adversely affected.

Ownership of Cord Blood Units

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

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

PRC Tort Liability Law

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

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

PRC Regulation on Foreign Investment in the Cord Blood Banking Industry

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

On October 27, 2005, the Standing Committee of the National People's Congress adopted amendments to the PRC Company Law which substantially overhauled the PRC company law system and removed a number of legal restrictions and hurdles on the management and operations of limited liabilities companies and companies limited by shares. It is expected that the PRC Law of Wholly Foreign Owned Enterprises, or the WFOE Law, and its implementing regulations will be amended accordingly in order to align the WFOE Law with the amendments to the PRC Company Law. Jiachenhong, Nuoya and Lukou, our subsidiaries in the PRC, are governed by both the PRC Company Law and the WFOE Law and their implementing rules. Our subsidiary, Lukou, of which 90% equity interest is held by our subsidiary, Jiachenhong, is not a foreign invested enterprise under PRC Law.

Other National and Provincial Level Laws and Regulations in China

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

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

PRC Antitrust Law

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

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

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

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

It is widely expected that a set of detailed implementing rules of the PRC Antitrust Law will be issued by the PRC government. We are now in the process of reviewing our current business model against the PRC Antitrust Law. However, before the promulgation of any detailed implementing rules, we are unable to determine whether we might be in violation of any aspects of the PRC Antitrust Law.

Foreign Exchange Control and Administration

Foreign exchange in China is primarily regulated by:

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

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

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

The value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Historically, the conversion of Renminbi into foreign currencies, including US dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi will be permitted to fluctuate within a band against a basket of certain foreign currencies. On June 19, 2010, the People's Bank of China released a statement indicating that they would "proceed further with reform of the RMB exchange rate regime and increase the RMB exchange rate flexibility." There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the US dollar.

Regulation on Special Purpose Vehicle Incorporated or Controlled by PRC Residents

SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or "Notice 75", on October 21, 2005, which became effective as of November 1, 2005, and the operating procedures in May 2007, collectively the SAFE rules. According to the SAFE rules, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. In addition, amended registrations are required upon (i) any change in the net assets of such offshore entity as a result of any acquisition of onshore assets or equity interests by such offshore entity or subsequent overseas equity financing, and (ii) any material change in the shareholding or capital of such offshore entity, such as changes in share capital, share transfers and long-term equity investments. PRC residents who have already incorporated or gained control of offshore entities that have acquired onshore assets or equity interests before the regulation was promulgated were required to register their shareholding in the offshore entities with the State Administration of Foreign Exchange on or before March 31, 2006.

Under this regulation, the SAFE registration and amendment procedures described above are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholders loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidation distribution, equity sales proceeds, or return of funds upon a capital reduction. Further, this regulation requires repatriation into China by PRC residents of all dividend profits or capital gains that they obtain from their shareholdings in the offshore entity within 180 days upon their receipt of such profits or gain. Failure to comply with this regulation will subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. On May 20, 2011, the SAFE issued the Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies Operating Instruction, or "the Operating Instruction", which provides explicit rules and simplifies procedures under Notice 75. The Operating Instruction concentrates on filing materials and procedures of foreign exchange registration, alteration registration, supplementary registration and cancellation registration of offshore special purpose vehicles, or "SPVs", owned or controlled by domestic residents. According to the Operating Instruction, domestic resident individuals shall register with the local SAFE branch where the assets or equities of their domestic enterprises are located. Domestic resident individuals may establish SPVs overseas prior to the registration, however, such SPVs are not allowed to raise funds outbound, change equity interests or invest in reverse or make other substantial changes in capital or equity interests prior to the completion of the registration. When assets or equity interests of domestic enterprises are located in different areas, such domestic residents shall select a SAFE branch office in the area where one of the primary domestic enterprise is located, to comprehensively register with. Whenever SPVs change in financing matters, an alteration registration shall be made within 30 working days upon the receipt of the first batch of raised funds. The raised funds without alteration registration shall not be called back and utilized in the form of investment or foreign loan. See "Key Information • Risk Factors • Risks Relating to Operations in China".

Regulation on Mergers and Acquisitions

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006. This new regulation, among other things, has certain provisions that purport to require offshore special purpose vehicles, or SPVs, formed for the purpose of listing and controlled by PRC individuals or companies, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. According to our PRC counsel, although the CSRC generally has jurisdiction over overseas listing of SPVs, it is not necessary for us to obtain CSRC approval because, the beneficiary owner of Golden Meditech, is not a PRC individual defined by this new regulation. Therefore, our PRC counsel, JunZeJun Law Offices, is of the opinion that we are not controlled by Chinese legal or natural persons and therefore do not constitute an SPV that is required to obtain approval from the CSRC for overseas listing under the new regulation.

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

Failure to comply with this new regulation may lead to sanctions by the Ministry of Commerce or other PRC regulatory authorities that are provided for in other relevant regulations governing foreign investment, foreign exchange, taxation, business registration, securities, and administration of state-owned assets. See “Key Information • Risk Factors • Risks Relating to Operations in China”.

Regulation on Tax

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

In addition, on August 31, 2007, the Ministry of Finance and the State Administration of Taxation promulgated the Notice Regarding the Issue on Application of Tax Laws by Enterprises. In accordance with such notice, enterprises established and registered with the relevant administrative department for industry and commerce during the period from March 17, 2007 to December 31, 2007 are required to pay enterprise income taxes according to the Interim Regulation of the People’s Republic of China on the Enterprise Income Tax, the Income Tax Law of the People’s Republic of China on the Enterprises with Foreign Investment and Foreign Enterprises and relevant detailed implementing rules from the date of establishment up to December 31, 2007. In other words, starting from January 1, 2008, enterprises established and registered during the period from March 17, 2007 to December 31, 2007 are required to pay enterprise income taxes at a rate of 25%.

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

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

Regulation on PRC Resident’s Participation of Share Option Plan Offered by an Offshore Company

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

Dividend Distributions

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

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

C. Organizational Structure

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

CCBC was formed through the Business Combination, which involved the Merger of Pantheon with and into Pantheon Arizona, then a wholly owned, non-operating subsidiary of Pantheon formed for the purpose of effecting the Merger, with Pantheon Arizona surviving the Merger, and the conversion and continuation of Pantheon Arizona’s corporate existence from Arizona to the Cayman Islands. Immediately following the Redomestication, the participating shareholders of approximately 93.94% of the issued and outstanding shares of CCBS completed the Share Exchange with Pantheon Arizona, and Pantheon Arizona changed its name to CCBC, resulting in CCBS becoming a subsidiary of CCBC and the participating shareholders becoming holders of CCBC’s ordinary shares. In August 2009, CCBC entered into agreements with holders of the remaining 6.06% issued and outstanding shares of CCBS to exchange such shares for 3,506,136 newly issued shares of CCBC with the result that CCBS is now our wholly owned subsidiary. CCBS entered into these arrangements pursuant to its decision to seek alternative ways to achieve a U.S. public market presence for its shares other than through our initial public offering. Pursuant to our public offering on November 19, 2009, we were listed on the New York Stock Exchange with a ticker symbol “CO”.

CCBS was incorporated on January 17, 2008 under the Companies Law (2010 Revision) of the Cayman Islands to become the direct holding company of CSC Holdings. CCBS has three operating subsidiaries in China: Jiachenhong, Nuoya and Lukou. CCBS holds an indirect 100.0% interest in Jiachenhong, an indirect 90.0% interest in Nuoya and an indirect 90.0% interest in Lukou. In addition, CCBS holds an indirect 16.1% interest (as of June 30, 2011) in CBB and Cordlife Singapore, providers of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines.

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

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

We conduct our current operations through Jiachenhong, Nuoya and Lukou, our PRC subsidiaries. Jiachenhong is the operator of the sole cord blood banking licensee in Beijing, and Nuoya is the operator of the sole cord blood banking licensee in Guangdong. Lukou is our newly formed subsidiary, holding the exclusive cord blood banking license in Zhejiang and is the sole operator in Zhejiang province. We also indirectly owned 19.9% effective interest in Qilu, the sole cord blood banking licensee in Shandong.

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

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

During the year ended March 31, 2011, we acquired the right to operate the cord blood bank in the Zhejiang province for a cash consideration of approximately \$12.5 million and established a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd.. Lukou is 90% owned by Jiachenhong, our wholly owned PRC subsidiary, and is the exclusive cord blood bank operator in the Zhejiang province.

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

On December 10, 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the warrant exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. After giving effect to the warrant exchange and as of March 31, 2011, we had 75,406,875 ordinary shares issued and outstanding. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

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

In June 2010, we entered into an agreement to underwrite a rights issue for Cordlife. Every three ordinary shares of Cordlife are entitled to subscribe one new ordinary share at AUD0.32. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation. We continued to participate in the rights issue and take up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of RMB13.2 million (\$2.0 million or AUD2.0 million). As of March 31, 2011, CSC East, our wholly owned subsidiary, has acquired an aggregate 24,366,666 ordinary shares of Cordlife. On June 16, 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a demerger of Cordlife more mature cord blood banking business and Cordlife would become CBB and Cordlife Singapore. CBB and Cordlife Singapore together provide cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines.

The demerger and distribution in specie were subsequently completed and effective on June 30, 2011. As a result, we own 16.1% interest in both CBB and Cordlife Singapore as of June 30, 2011.

Our holding company structure allows our management and shareholders to take significant corporate actions without having to submit these actions for approval or consent of the administrative agencies in every jurisdiction where we have significant operations. Moreover, our choice of the Cayman Islands as the jurisdiction of incorporation of our ultimate holding company was motivated in part by its relatively well-developed body of corporate law, various tax and other incentives, and its wide acceptance among internationally recognized securities exchanges as a jurisdiction for companies seeking to list securities.

D. Property, plant and equipment

As of March 31, 2011, we maintain facilities in Beijing and Guangdong. The following table sets forth certain information relating to the premises we occupy:

Premises	Nature of use	Terms of use	Area occupied (in square meters)
Beijing	Laboratories, storage facilities for cord blood units and office space	Acquired in November 2006 for a consideration of RMB28.6 million for a term of 40 years. Leased at a monthly rent of RMB120,000. The lease will expire in December 2014.	9,600 <u>1,920</u>
Subtotal			11,520
Guangdong	Laboratories, storage facilities for cord blood units and office space	Leased at a monthly rent of RMB310,080. The lease will expire in September 2028.	<u>5,168</u>
Total			<u><u>16,688</u></u>

Our facilities in Beijing and Guangdong are equipped with a customer relationship management system. The system has been customized to monitor our sales performance, monitor testing processes and results on a case-by-case basis, keep real-time record of storage movement in cord blood banks, handle billing matters, and track customer hotline interactions.

As at March 31, 2011, our cord blood bank in Beijing had a design storage capacities of 500,000 units. As at March 31, 2011, our cord blood bank in Guangdong had a design storage capacities of 250,000 units. We believe that we have the requisite expertise and resources to expand our storage capacities to meet the growing demand for our services.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We are the leading provider of cord blood banking services in China. We provide cord blood storage services for expectant parents interested in capturing the opportunities made available by evolving medical treatments and technologies such as cord blood transplants. We also preserve cord blood units donated by the public, provide matching services on such donated units and deliver matching units to patients in need of transplants. Our Beijing-based subsidiary, Beijing Jiachenhong Biological Technologies Co., Ltd., or Jiachenhong, was the operator of the first licensed cord blood bank in China. The PRC government only grants one cord blood banking license per province or municipality. According to a policy paper published by China’s Ministry of Health in December 2005, and the extension of the policy published in February 2011, the PRC government intends to authorize up to ten cord blood banks. To date, it has authorized seven such licenses. Our operations currently benefit from multiple exclusive cord blood banking licenses issued in China, including our licenses for Beijing, Guangdong, and Zhejiang. We also have an investment in a 19.9% equity interest in Qilu Stem Cells Engineering Company Limited, the operator of the exclusive licensed cord blood bank in Shandong province.

Our cord blood banking network is the largest in China. The aggregate number of births in our operating regions, including Beijing, Guangdong and Zhejiang provinces was estimated to be 1.8 million in 2009, accounting for approximately 46% of the total newborn population in the seven provinces and municipalities that have been authorized or issued cord blood banking licenses to date, according to the National Bureau of Statistics of China. We believe our leading market position and track record of growing our subscriber base position us well to continue to expand our presence in China. With a newborn population of 16.2 million in 2009, China had the second largest newborn population in the world, according to the CIA World Factbook. Cord blood banking as a precautionary healthcare measure is still a relatively new concept in China, with penetration rates that we estimate to be less than 1% of China’s overall newborn population. We expect the demand for cord blood banking services will grow significantly due to factors such as rapidly rising disposable income in the PRC, China’s one-child policy, and increasing public awareness of the benefits of cord blood and haematopoietic stem cell related therapies. Furthermore, our position as the single largest shareholder with 16.1% equity interest (as of June 30, 2011) in CBB and Cordlife Singapore, the leading cord blood banking operators in Southeast Asia, provides the foundation for further expansion into attractive markets such as India, Indonesia and the other countries in Southeast Asia and with mature operations in stabilized markets such as Singapore and Hong Kong respectively.

We have developed a highly effective sales and marketing platform that has enabled us to consistently grow our cord blood subscriber base in the markets we serve. Our 339-person sales team has direct access to expectant parents through exclusive collaboration with more than 230 hospitals in Beijing and Guangdong. We also cooperate with local government family planning agencies and utilize a variety of marketing programs, including media advertising, seminars and pre-natal classes, to further educate expectant parents on the benefits of cord blood banking. Our accumulated subscriber base has grown from 23,322 in March 2007 to 185,830 in March 2011.

We generate substantially all of our revenues from subscription fees. The standard payment arrangement for our services consists of processing fees payable at the time of subscription and storage fees payable by our subscribers on an annual basis for as long as the contracts remain effective, which typically have a contract period of 18 years. The contracts can be terminated early by the parents at each anniversary of the contract or further extended, at the option of the children, after reaching adulthood. This payment structure provides us with a steady stream of recurring revenue and cash flow. The proportion of our storage fee revenue increased from 18.5% for the year ended March 31, 2010 to 20.9% for the year ended March 31, 2011. We expect the percentage of our recurring revenue will continue to grow as we expand our subscriber base.

We recorded revenues and net income of RMB339.5 million (\$51.9 million) and RMB91.7 million (\$14.0 million), respectively, during our fiscal year ended March 31, 2011.

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

Fees payable under the subscription contracts, referred to in this report as "subscription fees", consist of two components: a one-time "processing fee", which reflects consideration for the processing services, and an annual "storage fee", which reflects consideration for the storage services in the forthcoming year. This payment structure enables us to enjoy a steady stream of long-term cash inflow. We expect such long-term cash flow to continue to increase as our subscriber base continues to grow. In addition, we generate a portion of revenues from fees generated from our matching services, referred to in this report as "matching fees", which reflect consideration for providing matching cord blood units collected from public donors to patients in need of transplants. Because a significant portion of our operating costs, such as costs of maintaining storage cylinders and automated monitoring systems, are fixed, we benefit from economies of scale as the number of units stored at our cord blood facilities increases. Moreover, as cord blood banking services are not subject to price control by the PRC government, we have the flexibility to set and adjust our fees in response to changing market dynamics. Effective from April 1, 2011, we raised our processing fee from RMB5,000 to RMB5,800.

Our new subscriber sign-ups for the years ended March 31, 2009, 2010 and 2011 were 34,678, 45,252 and 56,518, respectively. We intend to grow revenues by continuing to enlarge our subscriber base. One major strategy is by increasing our penetration rates into existing markets through expanding our hospital networks and enhancing our sales and marketing initiatives. Hence, we expect to incur more sales and marketing expense in the future. Another major strategy is by expanding our geographical coverage by acquiring or collaborating with one or more license holder or successful license applicants in other regions. Our new Guangdong storage facility commenced operation in September 2008 and new Beijing storage facility in April 2009. See "• Our Financial Condition and Results of Operations • Liquidity and Capital Resources • Capital Expenditures." In evaluating our financial condition and results of operations, attention should be drawn to the following areas:

- **Acquisition of Nuoya.** Prior to our acquisition of the right to operate in Guangdong through our acquisition of Nuoya, Nuoya did not engage in commercial operation and had no substantial liabilities, and its former management did not maintain complete, accurate and reliable financial information. We nonetheless proceeded with the investment because the cord blood bank operated by Nuoya had the exclusive right to operate in Guangdong, one of our target markets. Shortly after the acquisition, we remedied the situation by making the necessary adjustments to the financial information prepared by former management.
- **Investment in Lukou.** During the year ended March 31, 2011, we acquired the right to operate the cord blood bank in the Zhejiang province and established a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd.. Lukou, which is 90% owned by us, and is the exclusive cord blood bank operator in the Zhejiang province to provide cord blood stem cells storage service for expectant parents and to preserve cord blood units donated by the public. As of the date of this report, Lukou has not commenced full scale operations.
- **Investment in Qilu.** Qilu is the sole licensee in the Shandong province. It obtained permission from Shandong DOH to commence operation in February 2008. In May 2010, we invested in a 19.9% equity interest in Qilu. In light of our minority equity interest and that we do not have any representation in the Board of Directors of Qilu, we do not have any control or significant influence in Qilu. Therefore, we do not consolidate or account for under the equity method our share of Qilu operating results and net assets, and state the investment at cost less impairment losses.
- **Limited operating history.** We have a limited operating history, and our future prospects are subject to risks and uncertainties beyond our control. Although Jiachenhong obtained the license for its cord blood bank in September 2002, Jiachenhong was acquired by our substantial shareholder, Golden Meditech, in September 2003. Similarly, although Nuoya obtained the license for its cord blood bank in June 2006, Nuoya was acquired by us in May 2007. As a result, Nuoya's financial condition and results of operations have been consolidated into ours only after May 2007 and were reflected in part in our consolidated financial statements for the year ended March 31, 2008, and in full in our consolidated financial statements starting from the year ended March 31, 2009. We expect Nuoya's operation in Guangdong will significantly contribute to our financial condition and results of operations in the future because we have significantly increased the size of the market that we can address. According to National Bureau of Statistics of China, Guangdong had approximately 1.1 million newborns in 2009, which was significantly bigger than Beijing during the same period.

Factors Affecting Our Financial Condition and Results of Operations

We have benefited significantly from favorable demographic trends, overall economic growth and increased demand for innovative healthcare services in China. The overall economic growth and the increase in the GDP per capita in China in recent years have led to a significant increase in healthcare spending in China. At the same time, China's "one-child" policy has resulted in parents' increasing willingness and ability to devote more resources to their children. We anticipate that demand for cord blood banking services will continue to increase as the economy in China continues to grow and as disposable income of urban households continues to rise. Any adverse changes in the economic conditions or regulatory environment in China, however, may have a material adverse effect on the cord blood banking industry in China, which in turn may harm our business and results of operations.

Demand for Cord Blood Banking Services

As of the date of this report, seven cord blood banking licenses had been granted in seven regions in China, and the PRC government plans to issue cord blood banking licenses in up to three additional regions by 2015. Future demand for the cord blood banking industry in China is expected to be driven mainly by (i) increased penetration rates along with a large number of newborns in China arising from its sizeable population, (ii) increased healthcare expenditure as a result of the growth in GDP and disposable income in urban areas, (iii) China's one-child policy, (iv) increased sales and marketing efforts to increase the public awareness of the benefits associated with cord blood banking and (v) additional diseases that stem cells could be used for treatment. We intend to generate additional demand for our services by enhancing our sales and marketing initiatives and expanding hospital networks to increase the public awareness of benefits associated with cord blood banking. We benefit from economies of scale because a significant portion of our operating costs, such as depreciation expenses of our storage facilities and rental expenses, are fixed. Therefore, increased demand for our services is likely to lead to economies of scale and increased profits.

Average Revenue per Subscriber

Substantially all of our revenues are derived from the fees payable by subscribers in connection with the handling of the cord blood units of their newborns. Our standard package requires our subscribers to pay a one-time processing fee and an annual storage fee for a period up to 18 years. All fees are inclusive of a 5% business tax. If the examination results indicate that the cord blood stem cells are not viable for storage, we will refund 70% of the processing fee and terminate the contract.

Prior to April 1, 2011, we charged a one-time processing fee of RMB5,000. Effective from April 1, 2011, we raised the one-time processing fee from RMB5,000 to RMB5,800.

Aside from the processing fee, the subscriber is obligated to make an annual payment of RMB620. This annual payment consists of a storage fee of approximately RMB500 and an insurance premium of approximately RMB120. The entire amount of the insurance premium is subsequently forwarded to an independent third party health insurance provider for and on behalf of such subscriber to cover potential hospitalization costs of the newborn. The subscriber cannot elect not to pay the annual insurance premium. We do not assume any credit risk in respect of the collection of such insurance premium and have no obligations to our subscribers under the insurance policies. See Note 12 to our consolidated financial statements included elsewhere in this report. Since we are not the primary obligor for the provision of insurance services, the insurance premium received and paid to the insurance carrier are not included in our consolidated statements of operations.

Because the PRC government currently does not regulate prices of cord blood banking services, we have the flexibility to set and adjust the subscription packages in response to changing market dynamics and have been targeting our subscription services at all expectant parents in our existing markets. For example, we offer medical practitioners, including doctors, nurses or other medical professionals, cord blood banking services at certain discounts from time to time. If subscription services become subject to price control in China, our financial condition and results of operations would be adversely affected. See “Key Information • Risk Factors • Risks Relating to Our Business • Our business activities are subject to regulations that may impose significant costs and restrictions.”

Payment Methods for Subscribers

We offered our subscribers three payment options:

- **Option One:** payment of a one-time processing fee of RMB5,000 (RMB5,800 effective from April 1, 2011) upon delivery of the cord blood unit to our premises for testing and processing, which we referred generally as “the time of subscription”, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years.
- **Option Two:** payment of a one-time processing fee of RMB5,000 and a bullet payment of 18 years of storage fees at a discount of 20% to the total amount of storage fees payable under the contract at the time of subscription. This payment option has been suspended since January 1, 2008. Nevertheless, an amended version of this option, which provides for the payment of a one-time processing fee of RMB5,000 and a bullet payment of 18 years of storage fees (with no discount) at the time of subscription, has become available to new subscribers since February 1, 2009. Beginning from April 1, 2011, subscribers in Beijing who choose this option will pay a one-time processing fee of RMB5,800 and a bullet payment of 18 years of storage fees (approximately RMB500 x 18) with no discount. Starting from April 1, 2011, subscribers in Guangdong who choose this option will pay a bullet payment of 18 years of storage fees (approximately RMB500 x 18) and a one-time processing fee of RMB4,640, representing a 20% discount of the one-time processing fee.
- **Option Three:** payment of the processing fee by installment, including an initial payment of RMB1,100 at the signing of the contract and an annual payment of RMB300 each year for a period of 18 years, representing a surcharge of RMB1,200 to the total amount of processing fees payable under the contract, and an annual storage fee of approximately RMB500 payable each year for a period of 18 years. Beginning from April 1, 2011, subscribers in Beijing who choose this option will pay an initial payment of RMB1,250 at the signing of the contract and an annual payment of RMB350 each year starting from the second year until the end of the eighteenth year, resulting in a surcharge of RMB1,400 to the amount of processing fees payable under the contract.

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

For the year ended March 31, 2011, approximately 40.8% of new subscribers chose Option One, compared to 38.8% in the year ended March 31, 2010. Option Two represented approximately 16.2% and 6.1% of new subscribers signed up during the year ended March 31, 2011 and 2010 respectively. 43.0% of new subscribers chose Option Three for the year ended March 31, 2011, compared to 55.1% in the prior year period. Under Option One, our subscribers are contractually obligated to pay the processing fee at the time of subscription. Some subscribers, however, settle the processing fee after the completion of the processing services. Under Option Three, our subscribers pay the processing fee by installments. Because we recognize the processing fee as revenue upon completion of the processing services, there is an outstanding accounts receivable if the subscriber has not yet paid the processing fees upon such completion. Accordingly, an increase in new subscribers also resulted in an increase in current accounts receivable. For the year ended March 31, 2011, current account receivables amounted to RMB77.4 million (\$11.8 million), compared to RMB61.3 million in the prior period.

For subscribers choosing Option Three, the portion of the revenue which is not yet collectible will be recorded in the non-current receivables. As the accumulated number of subscribers choosing Option Three continue to grow, the non-current account receivables as well as the total account receivables will also increase. Non-current account receivables for the year ended March 31, 2011 amounted to RMB241.0 million (\$36.8 million) as compared to RMB176.9 million last year.

Turnover periods for current accounts receivable for the years ended March 31, 2009, 2010 and 2011 determined based on average current accounts receivable and revenues in the respective periods, were 69 days, 78 days and 75 days, respectively. Turnover days for current account receivables for the year ended March 31, 2010 increased to 78 days from 69 days for the year ended March 31, 2009, and decreased to 75 days for the year ended March 31, 2011. The fluctuations on turnover days were mainly due to the timing of settlement.

Duration of Subscription Services

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

- Our subscribers are not subject to any penalties if they terminate subscription contracts prior to the end of the initial 18-year term. A subscriber may elect to terminate the subscription service by providing a termination request. The subscriber will then be released from the contractual obligation upon settling all outstanding amounts payable to us in respect of any overdue storage fees and the remaining element of the processing fee to the extent not yet invoiced (for those customers electing to use Payment Option Three). Although we have not experienced significant early termination requests from our subscribers in the past, there is no guarantee that all subscribers will fulfill their contractual obligations by continuing to pay storage fees on an annual basis for the full period of 18 years. As of March 31, 2011, there were 3,604 subscribers who had been delinquent for over 18 months in paying their storage fees and we have ceased recognizing storage revenue from such delinquent subscribers. The references to our number of subscribers as of a particular date in this Annual Report are inclusive of delinquent subscribers and therefore do not represent the total number of paying subscribers. See “Key Information • Risk Factors • Risks Relating to Our Business • Our financial condition and results of operations may be materially adversely affected if a significant number of our subscribers terminate their contracts with us prior to the end of a typical contract period of 18 years.”

- For subscription contracts signed before January 1, 2008, we do not have the right to amend or terminate such subscription contracts as long as our subscribers continue to renew the contract over the 18-year period. Inflation in China may adversely impact our profit margins through increased costs of compensation and expenses. Although we believe that we could offset some of the effects of inflation through technological advances, economies of scale and operational efficiencies, our financial condition and results of operations may be materially adversely affected by increased operating costs. Starting from January 1, 2008, under the new subscription contract, we reserved the right to review and adjust the annual storage fee in accordance with the local inflation index.

Sales and Marketing Activities Undertaken through Our Hospital Networks

We provide our services through collaboration with selected hospitals in our operation regions. All cord blood collection services are performed and a significant portion of our sales and marketing activities are undertaken through our network of collaborating hospitals, for which hospitals are reimbursed for the costs of materials and resources utilized in the cord blood collection process. Accordingly, our success is dependent upon our ability to utilize our hospital networks to undertake sales and marketing activities to increase penetration in our existing markets. As of March 31, 2011, we had 100 hospitals participating in our hospital network in Beijing. Since the Nuoya acquisition in May 2007, we have established collaborative relationships with over 130 major hospitals in Guangdong and are seeking to significantly expand our hospital network in this market.

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

Application for Cord Blood Banking Licenses

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

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

- It generally takes several years to receive a cord blood banking license in China. Following the submission of a written notice to the DOH, the applicant usually would be required to incur significant initial investments, including costs associated with the construction of facilities, to demonstrate to the DOH that it is capable of meeting the stringent application requirements for a license prior to the receipt of such a license. For example, the cord blood bank in Beijing operated by Jiachenhong took six years to obtain its license, during which time it incurred substantial costs to construct facilities meeting the stringent application requirements prior to obtaining a license.

As the first licensed cord blood bank operator in China with multiple cord blood banking licenses issued by the PRC government authorities to date, we believe that our operational knowledge, experience and expertise provide a strong platform to obtain additional licenses. Currently, we have not formally submitted any written notice to any DOH concerning our intention to construct and operate a cord blood bank in any region. We will not commence the construction of a cord blood bank prior to formal submission of a written notice to the DOH in any region in which we intend to construct and operate a cord blood bank. However, if we decide to submit such a written notice, we will be required to commence construction of cord blood bank facilities to demonstrate the capability of meeting stringent application requirements for a license prior to receiving the license. It is possible that applications in the future will be rejected after we have incurred a significant initial investment in the process. In such circumstances, our financial condition and results of operations may be materially adversely affected. See “Key Information • Risk Factors • Risks Relating to Our Business • We may incur significant initial investments to apply for cord blood banking licenses in other regions, and if we are unsuccessful, our operating results could be materially adversely affected.”

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

Acquisition of or Investment in Other Cord Blood Bank Operators

We seek to expand our geographical coverage by acquiring or investing in cord blood bank operators or applicants in other regions. Period-to-period comparisons of our operation results must therefore be evaluated in light of the impact of such acquisitions. In May 2007, CSC South, our subsidiary, acquired Nuoya for a total consideration, including direct expenses, of RMB30.9 million in cash. Nuoya is our cord blood bank operator in Guangdong, one of the most populous regions in China. According to the Chinese National Bureau of Statistics, the number of newborns in Guangdong in 2009 was more than eight times as many as that in Beijing. We acquired the right to operate cord blood banks in Guangdong through our acquisition of Nuoya in May 2007. Our operation in Guangdong has significantly increased the size of the market that we can access.

On May 6, 2010, we completed the investment in a 19.9% effective interest in Qilu, the exclusive cord blood bank operator in the Shandong province for a cash consideration of approximately \$20.5 million. Based on China Statistical Yearbook 2009, over 1.1 million babies were born within Shandong province during 2009. It represented a very sizable market opportunity.

During the year ended March 31, 2011, we entered into agreements to acquire the operating right to operate the Zhejiang cord blood bank for consideration of RMB82.1 million (\$12.5 million) from a third party and to form a new subsidiary, Lukou, to operate the Zhejiang cord blood bank. Through these transactions, we further expanded our addressable market size by accessing the Zhejiang province as the exclusive cord blood bank operator.

We acquired 11,730,000 shares of Cordlife for a cash consideration of AUD8.0 million in July 2007 and an additional 5,795,000 shares for a cash consideration of AUD2.4 million for the year ended March 31, 2009. Cordlife was then a company whose shares are listed on the Australian Securities Exchange and provides cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines. Our investments in Cordlife have been accounted for as an available-for-sale investment and were stated at fair value in our consolidated balance sheets as of March 31, 2009, 2010 and 2011, with remeasurements of fair value recognized as other comprehensive income or loss, as the case may be, or in the statement of operations for the corresponding periods to the extent of impairment losses considered to be other-than-temporary. In June 2010, we entered into agreement to underwrite a AUD11.6 million rights issue for Cordlife. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. The rights issue was completed on July 26, 2010 and we subscribed for 6,841,666 shares of Cordlife at a total cost of RMB13.2 million (\$2.0 million or AUD2.0 million), satisfied in cash. As of March 31, 2011, we paid an aggregate of AUD12.4 million and own 24,366,666 ordinary shares of Cordlife.

On June 16, 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a demerger of Cordlife more mature cord blood banking business. The demerger and distribution in specie were subsequently completed and effective on June 30, 2011. As such, we own 16.1% interest in both CBB and Cordlife Singapore.

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

Preferential Tax Treatment

All of our operations are based in China, and our PRC subsidiaries, Jiachenhong, Nuoya and Lukou, are subject to PRC taxes, including enterprise income tax. Prior to January 1, 2008, as a foreign-invested production-oriented enterprise registered in the Beijing Economic and Technology Development Zone, Jiachenhong was entitled to pay enterprise income tax at a reduced rate of 15%, compared to the standard rate of 33%, and enjoyed the benefits of a tax holiday, which provided for an exemption from enterprise income tax for two years commencing from its first profit-making year of operation and a 50% reduction of enterprise income tax for the following three years. Jiachenhong started making profit for the year ended December 31, 2004. Therefore, Jiachenhong was exempt from enterprise income tax for the years ended December 31, 2004 and 2005 and was subject to enterprise income tax at a reduced rate of 7.5% for the years ended December 31, 2006 and 2007. The 50% reduction of enterprise income tax remained applicable for the year ended December 31, 2008. Prior to January 1, 2008, Nuoya was subject to enterprise income tax at the standard rate of 33%.

On March 16, 2007, the National People's Congress approved and promulgated a new tax law, the PRC Enterprise Income Tax Law, or "EIT Law", which took effect on January 1, 2008. On December 6, 2007, the State Council approved and promulgated the Implementing Regulations for the EIT Law, which took effect simultaneously with the new tax law. Under the new tax law, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%. The new tax law provides a five-year transition period starting from its effective date for enterprises that were established before the promulgation date of the new tax law and entitled to a preferential lower tax rate under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives, or "Circular 39". Based on Circular 39, enterprises that enjoyed a preferential tax rate of 15% in accordance with previous laws, regulations and other documents with the same effect as administrative regulations are eligible for a graduated rate increase to 25% over the 5-year period beginning January 1, 2008. For those enterprises that currently enjoy tax holidays, such tax holidays will continue until their expiration in accordance with previous tax laws, regulations and relevant regulatory documents. While the new tax law equalizes the tax rates for foreign-invested enterprises and domestic companies, preferential tax treatment may be given to companies in certain encouraged sectors and to those classified as high technology companies enjoying special support from the state. Entities that qualify as "High and New Technology Enterprises" ("HNTE") under the new tax law are entitled to a preferential income tax rate of 15%. However, the new recognition criteria and procedures for "HNTE" under the new tax law were not issued until April 14, 2008. Circular 39 also provides that a company which may be concurrently eligible for both preferential treatment to be granted during the transition period and the tax incentives as provided in EIT Law and its implementing rules shall elect the most preferential but only one tax treatment which shall not be changed since making the election. Jiachenhong was granted the HNTE certificate, which was dated December 24, 2008. The certificate was valid for a period of three years effective retroactively from January 1, 2008. As a result of the above, Jiachenhong was subject to tax at 9% from April 1 to December 31, 2008, and was subject to tax at 15% for calendar years 2009 and 2010, and at 25% for calendar years 2011 onwards. The impact of the change in tax rate of Jiachenhong due to its status as an HNTE on current and deferred taxes was not accounted for until the year ended March 31, 2009 as the enactment date of the new preferential rate was in January 2009. Since January 1, 2008, Nuoya is subject to a tax rate of 25% under the EIT Law. Nuoya has been determined and acknowledged as a High and New Technology Enterprise ("HNTE") on May 31, 2011 and such status was made valid retrospectively from January 1, 2010 until December 31, 2012. As such, Nuoya is expected to be subject to a reduced tax rate of 15% for the calendar years 2010, 2011 and 2012. The impact of the change in tax rate of Nuoya due to its status as an HNTE on current and deferred taxes was not accounted for during the year ended March 31, 2011 as Nuoya obtained the approval of enjoying the new preferential rate in June 2011.

In accordance with the Notice of Promulgation of the Guidelines for Determination and Administration of High and New Technology Enterprises, which was jointly promulgated by the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on July 8, 2008, enterprises that were registered both within and outside national high and new technology industries development zone (including Beijing new technology industries development experimental zone) and were classified as high-tech enterprises prior to the end of 2007 in accordance with previous laws will have their qualifications remain valid if such qualifications have not expired, but such enterprises cannot continue to enjoy the corresponding preferential tax treatment unless they can be redetermined as HNTE pursuant to the Measures for Determination and the Guidelines. The redetermination procedures under the Measures for Determination and the Guidelines may be handled either prior to or after the expiration of the validity period of their qualification. Additionally, for high-tech enterprises that were granted tax exemption and reduction treatment for a certain period under previous laws and whose tax holiday has not expired, Circular 39 shall continue to apply. Given that Jiachenhong and Nuoya were determined as a HNTE, we believe that the new tax law should not have a material adverse effect on their ability to maintain their preferential tax treatment until the end of the relevant period. See “Key Information • Risk Factors • Risks Relating to Operations in China • The discontinuation of any preferential tax treatment currently available to us and the increase in the enterprise income tax in the PRC could in each case result in a decrease in our profits and materially and adversely affect our results of operations,” and Note 19 to our annual consolidated financial statements included elsewhere in this report.

The new tax law and the implementation rules also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax under Notice on Certain Preferential Corporate Income Tax Policies, Caishui (2008) No. 1, issued jointly by the MOF and the SAT on February 22, 2008. We have not provided for income taxes on accumulated earnings of Jiachenhong and Nuoya as of March 31, 2011 since these earnings are intended to be reinvested indefinitely in the PRC. As of March 31, 2011, the unrecognized deferred tax liability related to the undistributed earnings subject to withholding tax was RMB26.8 million (\$4.1 million).

Our Financial Condition and Results of Operations

Critical Accounting Policies

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

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

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

Revenue Recognition

We generate substantially all of our revenues in form of processing fees and storage fees from our subscribers. The processing fee consists of payment for the services of transporting, testing and processing cord blood units collected from the newborns of our subscribers at collaborating hospitals upon childbirth. The storage fees represent consideration for preservation of cord blood units at our facilities, typically for a period of 18 years absent early termination by our subscribers for any reason. We also arrange insurance policy for our subscribers. See “• Factors Affecting Our Financial Condition and Results of Operations • Average Revenue per Subscriber.” As a result, our services involve multiple deliverables. Whether revenues for each type of services may be recognized separately depends on whether each component of the multiple deliverables should be treated as a separate accounting unit under Accounting Standards Codification 605-25, *Recognition • Multiple-Element Arrangement*, or “ASC 605-25”. Under ASC 605-25, all of the following requirements must be satisfied for a component of multiple deliverables to represent a separate accounting unit:

- The delivered item must have value to the customer on a standalone basis;
- There is objective and reliable evidence of the fair value of the undelivered items; and
- If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is probable and within the control of the vendor.

There are no penalties chargeable to all subsidiaries in the event of early termination.

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

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

Depreciation Charges

We depreciate the cost of fixed-life assets less their estimate of residual value on a straight-line basis over their estimated useful life. We estimate the useful life of our machinery to be 5 to 10 years and leasehold improvements to be 10 years. We determine the estimated useful life of our assets based on the historical usage experience with similar assets and anticipated technology changes. Changes in the expected usage level, technological developments and the operation environment in the industry could impact the economic useful lives and the residual values of our assets. If the operation environment is to change more rapidly or in a different way than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods. We review the estimated useful lives and estimated residual values of its assets no less frequently than annually.

Valuation of Inventories

A significant portion of our inventories consists of the handling costs attributable to the testing, processing and preservation of donated cord blood units. The handling costs include direct material costs and direct labor costs incurred in its handling of donated cord blood units. We do not capitalize the related overheads of our facilities used to store these units. Donated cord blood units are valued at the lower of cost or market using the weighted average cost method. Since we do not expect to recognize revenue from such inventory within 12 months from the balance sheet date, we classify donated cord blood units as non-current assets on our balance sheet. The carrying value of our donated cord blood units was RMB31.6 million (\$4.8 million) as of March 31, 2011. Management periodically reviews our portfolio of donated cord blood units to determine if a write-down on inventory is necessary based on estimated demand for our matching services and other industry knowledge. We did not record any write-downs on our inventories for the years ended March 31, 2009, 2010 or 2011. If demand for our matching services is significantly different from the management's expectations, the valuation of donated cord blood units could be materially impacted.

With respect to the cost of matching units donated by the public and delivered to patients in need of transplants or for research purposes, we recognize the revenue for one matched cord blood unit upon shipment of the unit and recognizes as direct costs the cost of the estimated average number of cord blood units out of which one unit of cord blood will be matched over the period during which the cord blood units will remain active. The number of cord blood units that can be matched for a fee involves estimates of the future demand for cord blood units for transplants, the probability of finding a match in light of number of donated cord blood units stored and our industry knowledge. As of March 31, 2011, the weighted average remaining useful life of the donated cord blood units was estimated to be approximately 19 years. Based on the historical increase in the number of cord blood matching inquiries and the number of successful matches of donated units, the Company estimates the number of successful matches of donated units will increase by 7% to 10% per annum. Based on the estimation, the carrying amount of the donated units will be recovered in approximately 10 years. If medical research discovers new and more effective medical procedures that make cord blood transplants more effective, or if medical research discovers more diseases that cord blood transplants can be used to treat, the estimated number of cord blood units that can be matched may increase. Conversely, if there are no new developments in medical science to overcome some of the current technical and therapeutic limitations on the use of cord blood in medical treatment, the estimated number of cord blood units that can be matched may decrease. Any of the estimation variables which differ from our expectations may result in material adjustments to direct costs in future periods. The estimates are calculated based on forecast fees to be generated from estimated successful matches in the future without discounting the fees to their present values.

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

Allowance for Doubtful Receivables

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

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

Allowance for doubtful receivables was RMB40.0 million (\$6.1 million) as of March 31, 2011, compared to RMB17.2 million as of March 31, 2010. We believe that the allowance is adequate. It is possible, however, that the accuracy of the management's estimation process could be impacted by unforeseen circumstances.

Impairment of Long-lived Assets

Long-lived assets such as property, plant and equipment and finite lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount of impairment loss, if any, is the excess of the carrying value of an asset over its fair value. We have not recognized any impairment of long-lived assets during the years ended March 31, 2009, 2010 or 2011. The net carrying value of our property, plant and equipment was RMB250.3 million (\$38.2 million) as of March 31, 2011 compared to RMB250.5 million as of March 31, 2010. The net value of intangible assets was RMB134.4 million (\$20.5 million) as of March 31, 2011 compared to RMB26.3 million as of March 31, 2010. See "• Factors Affecting Our Financial Condition and Results of Operations • Application for Cord Blood Banking Licenses" and Notes 6 and 8 to our annual consolidated financial statements included elsewhere in this report.

Impairment of Available-for-sale Securities

The Cordlife investment is classified as available-for-sale equity securities and is stated at fair value, with unrealized gains and losses normally recognized in other comprehensive income or loss. However, when the fair value of our available-for-sale securities falls below cost, we determine whether the decline in value is other than temporary, in which case the unrealized loss has to be charged to income. In assessing whether the impairment is other than temporary, we consider the length of time and the extent to which the market value has been below cost, our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, and the investee's financial conditions, operational performance, future earnings potential, prospects, market conditions and near term development. As of December 31, 2008, the market value of the Cordlife investment was below our investment cost. Having considered the significance of the accumulated decline in the fair value of the ordinary shares of Cordlife, the period of time during which market value of the shares had been below cost, and the current market conditions, management considered that the impairment loss on the investment was no longer temporary as of December 31, 2008. As a result, accumulated impairment loss amounting to RMB37.4 million was recognized in earnings during the nine months ended December 31, 2008 and the market value as of December 31, 2008 formed a new cost basis of the our investment in Cordlife. Subsequent to December 31, 2008, there was an increase in the market value of the ordinary shares of Cordlife, resulting in total unrealized holding gain recognized in accumulated other comprehensive income as of March 31, 2010 and 2011 of RMB27.1 million and RMB19.3 million (\$3.0 million), respectively. See Note 9 to our annual consolidated financial statements for the year ended March 31, 2010 and 2011 included elsewhere in this report.

Valuation and Amortization of Intangible Assets

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

During the year ended March 31, 2011, we entered into agreements to acquire the right to operate a cord blood bank in Zhejiang. Such rights are stated at the assigned value of the asset on the date of acquisition after deduction of accumulated amortization. Where payment for an operating right is non-deductible for tax purpose, the simultaneous acquisition method is used to record the assigned value of the asset and the related deferred tax liability, such that the carrying amount of the asset upon initial recognition less deferred tax liability recognized equals the amount payable for the asset.

The amortization expenses are recognized on a straight line basis over an estimated economic useful life of 30 years. For the years ended March 31, 2010 and 2011, the amortization expense relating to the right to operate in Guangdong amounted to RMB1.0 million and RMB1.0 million (\$0.1 million), respectively. The amortization expense relating to the right to operate in Zhejiang amounted to RMB0.4 million (\$0.1 million) for the year ended March 31, 2011.

See Note 8 to our annual consolidated financial statements included elsewhere in this report. Due to the uncertainties associated with operating in the cord blood banking industry in China, the economic useful life may be subject to change. If we are required to shorten our estimated economic useful life of the rights to operate in Guangdong and Zhejiang, our cost will increase. Profitability may be adversely affected. Further, there is no assurance that we will be able to recover the carrying amount of the rights to operate in Guangdong and Zhejiang from its operating activities in the future.

Principal Components of Our Income Statement

Revenues

Revenues reflect the portion of the invoiced value of services to third-party customers earned, net of business tax payable to government authorities. We have two types of customers: subscribers, who pay processing and storage fees pursuant to the terms of their subscription contracts as consideration for our subscription services, and transplant patients, who pay matching fees as consideration for our delivery of donated cord blood units for their operations.

The sources of our revenues consist of the following:

- **Processing fee.** Gross processing fee, currently charged at the rate of RMB5,000 prior to April 1, 2011 and RMB5,800 effective from April 1, 2011 (inclusive of a 5% business tax), represents consideration for the transportation, testing and processing of subscribers' cord blood units. We recognize the processing fees as our revenue on a net of business tax basis. Some of our subscribers elect to pay the processing fee in full at the time of subscription. Some subscribers elect to pay, subject to a surcharge (inclusive of a 5% business tax), a portion of the processing fee in installments.
- **Storage fee.** Gross storage fee, currently charged at the rate of approximately RMB500 (inclusive of a 5% business tax) per year, represents consideration for the storage of cord blood units at our facilities pursuant to subscription contracts. We recognize the storage fees as our revenue on a net of business tax basis. Prior to January 1, 2008, some subscribers elected to prepay the storage fees for the entire contract period upfront at the time of subscription and receive a discount of 20% on the total storage fees payable under the contract. Should the subscriber subsequently terminate the contract prior to the expiration of 18 years, the amount of storage fees prepaid, less storage fees of approximately RMB500 per year for the actual storage period, were refunded to the subscriber. For each such subscription, the storage fee of approximately RMB500 for the first year's storage services was recognized as revenue, which is committed and paid by the subscriber at the inception of the contract, and the remaining prepaid storage fees were recognized as deferred income in the balance sheet, which would be recognized as revenues on a straight-line basis over the remaining storage period. From January 1, 2008 to January 31, 2009, we suspended the option to prepay the storage fees upfront at the time of subscription. Starting from February 1, 2009, our new subscribers may choose to make payment of a one-time processing fee of RMB5,000 or RMB5,800 from April 1, 2011 and a bullet payment of 18 years of storage fees (with no discount). Most of our subscribers elect to pay the storage fee on an annual basis at the beginning of each anniversary of the subscription contract.
- **Matching fee.** Gross matching fee, currently charged generally at the rate of RMB15,000 (inclusive of a 5% business tax), represents consideration for the successful identification and retrieval of a matching cord blood unit suitable for transplant. We record the matching fee as our revenue on a net of business tax basis. We recognize the matching fee when the cord blood unit is delivered and the risk of loss is transferred to the recipient.

Direct Costs

After a cord blood unit is collected at a collaborating hospital and transported to its facilities, we test and process the cord blood to extract stem cells contained in the unit and cryopreserves the stem cells at our cord blood banks. Direct costs reflect the costs incurred for these procedures as well as payments made to the hospitals to reimburse the costs they incur in performing the collection procedure for our subscribers. In addition, direct costs include an annual technical consulting fee of RMB2.0 million payable by us to Peking University People's Hospital pursuant to a 20-year contract dated June 2006 for the hospital's technology and procedural guidance to support our delivery of cord blood storage services. Nuoya also entered into a co-operation agreement with the Guangdong Women and Children's Hospital and Health Institute. Pursuant to the agreement, Guangdong Women and Children's Hospital and Health Institute provides us with technical consultancy services in return for an annual advisory fee of an aggregate amount of RMB2.0 million. The agreement has a term of no less than 20 years commencing in November 2009. Direct costs also include the costs of storing cord blood units under our subscription contracts and cord blood units donated by the public for transplants or for research purposes. A significant portion of our direct costs are attributable to depreciation of property, plant and equipment and, to a lesser extent, amortization of intangible assets, consultancy fees, rent and utilities and the cost of liquid nitrogen. The remaining portion of our direct costs, including costs of collection materials, direct labor, and processing and storage supplies, generally vary depending on the number of units stored at facilities.

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

Operating Expenses

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

- Selling and marketing expenses. Selling and marketing expenses consist primarily of compensation for sales and marketing personnel; promotional and advertising expenses; travel expenses for sales and marketing activities and depreciation of equipment used for sales and marketing activities.
- General and administrative expenses. General and administrative expenses consist primarily of compensation for the management team and the finance and administrative personnel; travel, lease and other expenses for general corporate purposes; and professional advisor fees. After completion of the share exchange on June 30, 2009, CCBC incurs a significantly higher level of legal, accounting and other expenses in order to comply with the requirements under the U.S. securities laws. Such additional expenses associated may have a negative impact on profitability.
- Research and development expenses. During the year ended March 31, 2011, we continued our internal research and development activities. Research and development expense were expended immediately as they incurred. RMB7.0 million (\$1.1 million) research and development expense was incurred during the year ended March 31, 2011 compared to RMB5.8 million research and development expense incurred during the year ended March 31, 2010.

Results of Operations

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

For the year ended March 31,

	2011		2010		2009		
	\$	RMB	%	RMB	%	RMB	%
	(in thousands except for percentage)						
Revenues	51,850	339,532	100.0	261,536	100.0	194,537	100.0
Direct costs	(11,816)	(77,376)	(22.8)	(65,730)	(25.1)	(49,171)	(25.3)
Gross profit	40,034	262,156	77.2	195,806	74.9	145,366	74.7
Operating expenses							
Selling and marketing expenses	(7,266)	(47,583)	(14.0)	(39,480)	(15.1)	(28,868)	(14.8)
General and administrative expenses	(12,796)	(83,794)	(24.7)	(53,317)	(20.4)	(31,301)	(16.1)
Research and development	(1,063)	(6,960)	(2.0)	(5,816)	(2.2)	•	•
Subtotal	(21,125)	(138,337)	(40.7)	(98,613)	(37.7)	(60,169)	(30.9)
Operating income	18,909	123,819	36.5	97,193	37.2	85,197	43.8
Other income (expenses), net							
Interest income	1,384	9,065	2.7	6,411	2.5	3,638	1.8
Interest expense	(398)	(2,606)	(0.8)	(2,431)	(0.9)	•	•
Exchange gain (loss)	74	486	(0.1)	(417)	(0.2)	(351)	(0.2)
Write-off of deferred offering costs	•	•	•	•	•	(9,473)	(4.9)
Write-off of deferred reverse recapitalization costs	•	•	•	(21,566)	(8.2)	•	•
Impairment loss on available-for-sale equity securities	•	•	•	•	•	(37,426)	(19.2)
Others	210	1,378	0.6	473	0.1	714	0.4
Subtotal	1,270	8,323	2.4	(17,530)	(6.7)	(42,898)	(22.1)
Income before income tax	20,179	132,142	38.9	79,663	30.5	42,299	21.7
Income tax expense	(5,181)	(33,929)	(10.0)	(24,770)	(9.5)	(17,854)	(9.2)
Net income	14,998	98,213	28.9	54,893	21.0	24,445	12.5

Year Ended March 31, 2011 Compared to Year Ended March 31, 2010

Revenues

Revenue increased by 29.8% to RMB339.5 million (\$51.9 million), from RMB261.5 million last year. The increase was largely attributable to the 24.9% increase in new subscriber numbers to 56,518 new subscribers and the expansion in the accumulated subscriber base. As of March 31, 2011, total units stored for our subscribers increased to 185,830, compared to 129,312 on March 31, 2010 and no material early termination was recorded for the two years ended March 31, 2011. This strong growth was driven by the Company's growing subscriber base, as well as effective strategies to improve the revenue structure. Our effective marketing and promotion initiatives had led to deepening penetration in our operating regions and continued growth in our total subscriber number. For the year ended March 31, 2011, processing fees which accounted for 79.1% of the total revenue, grew 26.0% to RMB268.6 million (\$41.0 million). Revenue generated from storage fees grew 46.7% to RMB70.9 million (\$10.8 million), representing 20.9% of our total revenue.

Direct Costs

Direct costs increased to RMB77.4 million (\$11.8 million) for the year ended March 31, 2011, from RMB65.7 million for the year ended March 31, 2010, due to rising sales activities and overall subscriber base expansion. For the year ended March 31, 2011, variable costs and fixed costs accounted for approximately 75.2% and 24.8% of total direct costs respectively. Expenses like depreciation and amortization expenses, rental expenses, liquid nitrogen and consultation related expenses are classified as fixed costs. Direct Labor, direct materials, processing and other collection related expenses are classified as variable costs. Since fixed costs do not vary significantly against the increase in new subscribers, fixed costs as a percentage of total direct costs is expected to drop as the total subscriber base continue to expand.

Gross Profit

For the year ended March 31, 2011, gross profit amounted to RMB262.2 million (\$40.0 million), up 33.9% from RMB195.8 million for the year ended March 31, 2010. Gross margin for the year ended March 31, 2011 stood at 77.2% compared to 74.9% in the prior year period. Gross margin increased as a result of economy of scale and subscriber base expansion.

Operating Expenses

Operating expenses increased to RMB138.3 million (\$21.1 million) for the year ended March 31, 2011, compared to RMB98.6 million for the year ended March 31, 2010.

- **Research and development expenses.** For the year ended March 31, 2011, we incurred approximately RMB7.0 million (\$1.1 million) research and development expenses, compared to RMB5.8 million for the prior year period. Research and development expenses maintained at approximately 2.0% of revenue for both years ended March 31, 2011 and 2010. Research and development expenses were expensed immediately as they were incurred.
- **Sales and marketing expenses.** Sales and marketing expenses amounted to RMB47.6 million (\$7.3 million) for the year ended March 31, 2011, representing an increase from RMB39.5 million in the prior year. Sales and marketing expenses rose as a result of our ongoing market and promotion campaigns. As our hospital coverage network continued to enlarge, we have been able to extend our market coverage to penetrate further into the local markets like Beijing and Guangdong.
- **General administrative expenses.** For the year ended March 31, 2011, general administrative expenses rose to RMB83.8 million (\$12.8 million) as compared to RMB53.3 million in the prior year. The increase in general administrative expenses was in line with the growth in revenue, and was largely attributable to the higher staff count and bad debt provision as a result of the rapidly growing business operations and expanding subscriber base, and we also incurred larger amount of legal, professional and compliance related expenses during the current year.

Operating Income

As a result of the foregoing, operating income increased by 27.4% to RMB123.8 million (\$18.9 million) for the year ended March 31, 2011, from RMB97.2 million for the year ended March 31, 2010.

Other Income (Expenses), Net

For the year ended March 31, 2011, we had net other income amounted to RMB8.3 million (\$1.3 million), while for the year ended March 31, 2010, we had other expenses of RMB17.5 million. The increase in other income was largely attributable to the reduction in write-off amount. We wrote-off RMB21.6 million of deferred reverse recapitalization costs during the year ended March 31, 2010 while there was no similar write-off in the current year. In addition, we recorded interest income of RMB9.1 million (\$1.4 million) for the year ended March 31, 2011, compared to RMB6.4 million in the prior year.

- **Write-off of deferred reverse recapitalization costs.** For the year ended March 31, 2010, we recorded write-off of RMB21.6 million deferred reverse recapitalization costs which included the net liabilities of Pantheon and the fees incurred in connection with the Business Combination. No such write-off was recorded during the current year.
- **Interest Income.** Interest income for the year ended March 31, 2011 increased to RMB9.1 million (\$1.4 million). The increase in interest income was mainly attributable to increase in cash balance and proceeds raised pursuant to the follow-on offering in November 2010 and the increase in the subscriber base who chose the installment payment plan.
- **Interest Expense.** During the year ended March 31, 2011, we entered into a loan agreement with a commercial bank in the PRC. The loan amounted to RMB45.0 million (\$6.9 million). The loan agreement bears a floating interest rate at 110% of the base lending rate quoted by the People's Bank of China, which is re-priced monthly. Pursuant to this loan agreement, we incurred approximately RMB2.6 million (\$0.4 million) interest expense for the year ended March 31, 2011. In the prior year, we had also entered into a RMB45.0 million loan agreement with a commercial bank in the PRC, and incurred approximately RMB2.4 million interest expense for the year ended March 31, 2010.

Income Before Income Tax

As a result of the foregoing, income before income tax for the year ended March 31, 2011 amounted to RMB132.1 million (\$20.2 million), up from RMB79.7 million for the year ended March 31, 2010.

Income Tax Expense

For the year ended March 31, 2011, we recorded an income tax expense of RMB33.9 million (\$5.2 million), up 37.0% from RMB24.8 million for the year ended March 31, 2010. It represented an effective tax rate of 25.7%. The higher effective tax rate in the year ended March 31, 2010 was mainly due to the non-deductible write-off of deferred reverse recapitalization costs.

Net Income

Due to the reasons mentioned above, our net income for the year ended March 31, 2011 amounted to RMB98.2 million (\$15.0 million), compared to RMB54.9 million for the year ended March 31, 2010.

Year Ended March 31, 2010 Compared to Year Ended March 31, 2009

Revenues

Revenue increased by 34.4% to RMB261.5 million, from RMB194.5 million in the year ended March 31, 2009. The increase was largely attributable to the 30.5% increase in new subscriber numbers to 45,252 new subscribers and the expansion in the accumulated subscriber base. As of March 31, 2010, total units stored by our subscribers increased to 129,312, compared to 84,060 on March 31, 2009 and no early termination was recorded for the two years ended March 31, 2010. The increase in revenue was largely attributable to our effective marketing and promotion campaign and our ability to enhance the public awareness toward cord blood banking. For the year ended March 31, 2010, processing fees which accounted for 81.0% of the total revenue, grew 28.6% to RMB211.9 million. Revenue generated from storage fees grew 70.9% to RMB48.3 million, representing 18.5% of our total revenue.

Direct Costs

Direct costs increased to RMB65.7 million for the year ended March 31, 2010, from RMB49.2 million for the year ended March 31, 2009, due to rising sales activities and overall subscriber base expansion. For the year ended March 31, 2010, variable costs and fixed costs accounted for approximately 30.0% and 70.0% of total direct costs respectively. Expense like depreciation and amortization expenses, rental expenses, liquid nitrogen and consultation related expenses are classified as fixed costs. Direct Labor, direct materials, processing and other collection related expenses are classified as variable costs. Since fixed costs do not vary significantly against the increase in new subscribers, fixed costs as a percentage of total direct costs is expected to drop as the total subscriber base continue to expand.

Gross Profit

For the year ended March 31, 2010, gross profit amounted to RMB195.8 million, up 34.7% from RMB145.4 million for the year ended March 31, 2009. Gross margin for the year ended March 31, 2010 stood at 74.9% compared to 74.7% in the year ended March 31, 2009. Gross margin increased as a result of economy of scale and subscriber base expansion but the impact was partially offset by Beijing storage facility expansion which induced higher depreciation expense.

Operating Expenses

Operating expenses increased to RMB98.6 million for the year ended March 31, 2010, compared to RMB60.2 million for the year ended March 31, 2009. Operating expense increased due to rising marketing effort, in-house research and development activities and the increase in professional expense since we became a public company in US.

- **Research and development expenses.** For the year ended March 31, 2010, we incurred approximately RMB5.8 million research and development expenses. These research activities primarily focus on improving cells extraction methodologies, enhance processing efficiency and cost structure improvement. These expenses were expensed immediately as they were incurred.
- **Sales and marketing expenses.** Sales and marketing expenses amounted to RMB39.5 million for the year ended March 31, 2010, representing an increase from RMB28.9 million in the year ended March 31, 2009. Sales and marketing expenses rose because of the increase in sales and marketing staffs as well as ongoing promotion activities. As our hospital coverage network continued to enlarge, we have been able to extend our market coverage to penetrate further into the local markets like Beijing and Guangdong.

- **General administrative expenses.** For the year ended March 31, 2010, general administrative expenses increased to RMB53.3 million compared to RMB31.3 million in the year ended March 31, 2009. The increase in general administrative expenses was largely attributable to the increase in corporate overhead since our listing, higher bad debt provision because of enlarged subscriber base, higher depreciation expenses pursuant to the Beijing capacity expansion and other legal, professional and compliance related expenses.

Operating Income

As a result of the foregoing, operating income increased by 14.1% to RMB97.2 million for the year ended March 31, 2010, from RMB85.2 million for the year ended March 31, 2009.

Other Expenses, Net

For the year ended March 31, 2010, we had net other expenses amounted to RMB17.5 million, which decreased from RMB42.9 million in the year ended March 31, 2009. The decline was largely attributable to the absence of impairment loss and reduction in write-off amount. For the year ended March 31, 2009, we recorded an impairment loss of RMB37.4 million due to the decline in Cordlife share price and we wrote-off RMB9.5 million deferred offering costs while no similar expenses were recorded for the year ended March 31, 2010. However, we wrote-off RMB21.6 million of deferred reverse recapitalization costs during the year ended March 31, 2010 while there was no similar write-off in the year ended March 31, 2009. In addition, we recorded interest expense of RMB2.4 million for the year ended March 31, 2010.

- **Write-off of deferred reverse recapitalization costs.** For the year ended March 31, 2010, we recorded write-off of RMB21.6 million deferred reverse recapitalization costs which included the net liabilities of Pantheon and the fees incurred in connection with the Business Combination. No such write-off was recorded during the year ended March 31, 2009.
- **Write-off of deferred offering costs.** During the year ended March 31, 2009, we decided to seek alternative listing other than traditional initial public offering. As such, an amount of RMB9.5 million deferred offering cost incurred in the prior period regarding our initial public offering was written-off. No such write-off was recorded for the year ended March 31, 2010.
- **Impairment loss on available-for-sale securities.** During the year ended March 31, 2009, we recorded an impairment loss of RMB37.4 million. The market value of our investment in Cordlife further declined during the year ended March 31, 2009. After considering the magnitude of the decline, the duration of such fall and the market condition during that time, we considered the impairment loss was no longer other than temporary, as such, a total accumulated impairment loss of RMB37.4 million had been recognized in earnings for the year ended March 31, 2010. No similar impairment loss was recorded for the year ended March 31, 2010.
- **Interest Income.** Interest income for the year ended March 31, 2010 increased to RMB6.4 million. The increase in interest income was mainly attributable to increase in cash balance and proceeds raised during our initial public offering in November 2009.
- **Interest Expense.** During the year ended March 31, 2010, we entered into a loan agreement with a commercial bank in the PRC. The loan amounted to RMB45.0 million. The loan agreement bears a floating interest rate at 110% of the base lending rate quoted by the People's Bank of China, which is re-priced monthly. Pursuant to this loan agreement, we incurred approximately RMB2.4 million interest expense for the year ended March 31, 2010. No similar expense was recorded in the year ended March 31, 2009.

Income Before Income Tax

As a result of the foregoing, income before income tax for the year ended March 31, 2010 amounted to RMB79.7 million, up from RMB42.2 million for the year ended March 31, 2009.

Income Tax Expense

For the year ended March 31, 2010, we recorded an income tax expense of RMB24.8 million, up 38.7% from RMB17.9 million for the year ended March 31, 2009. It represented an effective tax rate of 31.1%. The high effective tax rate was mainly due to the non-tax deductible write-off of deferred reverse recapitalization costs.

Net Income

Due to the reasons mentioned above, our net income for the year ended March 31, 2010 amounted to RMB54.9 million, compared to RMB24.4 million for the year ended March 31, 2009.

Liquidity and Capital Resources

As of March 31, 2011, we had cash and cash equivalents of RMB611.4 million (\$93.4 million). We use a variety of sources, both external and internal, to finance our operations. We use equity and debt financing to fund capital expenditures and strategic investments. Our short and long-term funding sources may vary from period to period, but they have generally included a mix of equity financing from institutional investors and debt financing from banks. On May 11, 2010, we entered into a loan agreement with Hua Xia Bank in the PRC providing a one year bank loan facility to finance the purchase of raw materials. Borrowings, which amounted to RMB45.0 million (\$6.9 million) as of March 31, 2011, are denominated in RMB and are secured by our building in the PRC without any financial covenants. Amounts outstanding bear a floating interest rate at 110% of the base lending rate quoted by the People's Bank of China, which is repriced monthly. As of March 31, 2011, such rate was 6.666% per annum. Aside from the RMB45.0 million bank loan, we do not maintain any credit facilities.

On December 10, 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. Investors participating in the warrant exchange offer are subject to a 45-day lock up period with regard to ordinary shares acquired in the exchange offer. With no further dilution, shareholders will fully enjoy the benefits of any operational accomplishments and robust growth, even on a per share basis. After giving effect to the warrant exchange and as of March 31, 2011, we had 75,406,875 ordinary shares issued and outstanding. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

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

Our long-term liquidity requirements primarily include the funding of our capital expenditure programs. We have relied principally on capital raising activities for our long-term liquidity requirements. For example, in November 2009, we had completed a public offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per share. Total gross proceed raised (including the over-allotment issuance) amounted to \$23 million. The proceeds were intended to be used for the expansion into new geographical markets, including applications for new licenses and acquisitions and investments, and for the construction and upgrading of facilities in existing geographical markets. On November 5, 2010, we completed a follow-on public offering of 7,000,000 shares at \$4.50 per share. Total gross proceeds of \$31.5 million raised will be used in Zhejiang operation build-out and for general working capital purposes. We expect that we will finance such requirements with a combination of future offerings of equity or debt securities, bank borrowings at different subsidiary levels, and operating cash flows. Our need for, and the availability of, external financing is influenced by many factors, including profitability, operating cash flows, debt levels, contractual restrictions and market conditions. Other sources of cash will include dividend distributions and other payments from our subsidiaries.

Given that consumer discretionary spending or consumer behavior may change in light of the current Chinese or global economies, it may be challenging for us to sustain a high growth momentum going forward. Our operations have not experienced any material deterioration in terms of number of new cord blood intake during the year ended March 31, 2011 in light of the current economic and capital market condition. However, in order to mitigate the potential impact or consequences, we will continue to explore new alternatives or more attractive payment schemes in order to strengthen our financial position in the event of any unforeseeable economic turmoil.

Cash Flows

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

	For the year ended March 31,			
	2011	2010	2009	
	\$	RMB	RMB	RMB
	(in thousands)			
Net cash flows provided by operating activities	26,967	176,585	36,365	4,051
Net cash flows used in investing activities	(5,179)	(33,914)	(158,849)	(34,444)
Net cash flows provided by/(used in) financing activities	29,494	193,141	242,393	(35,276)
Effect of foreign exchange rate change on cash	(803)	(5,260)	(480)	(1,712)

Cash Flow provided by Operating Activities

As a result of the increase in the scale of our operations arising from the increase in new subscriber sign-ups, we had net operating cash inflow from payments received from subscribers for each of the three years ended March 31, 2009, 2010 and 2011.

Net cash provided by operating activities increased to RMB176.6 million (\$27.0 million) for the year ended March 31, 2011 from RMB36.4 million for the year ended March 31, 2010, primarily due to an increase in our current year net income to RMB98.2 million (\$15.0 million) from RMB54.9 million for the year ended March 31, 2010. The increase was also attributable to the increase in new subscriber sign-ups to 56,518 from 45,252 in the prior year, and more subscribers electing Payment Option Two which resulted in an increase in deferred revenue of RMB115.8 million (\$17.7 million). However, the overall benefit was partially offset by the increase in account receivables.

Net cash provided by operating activities increased to RMB36.4 million for the year ended March 31, 2010 from RMB4.1 million for the year ended March 31, 2009, primarily due to an increase in new subscriber sign-ups to 45,252 from 34,678, and more subscribers electing Payment Option Two which resulted in an increase in deferred revenue. However, the overall benefit was partially offset by the increase in account receivables.

Cash Flow used in Investing Activities

Net cash used in investing activities was RMB33.9 million (\$5.2 million) for the year ended March 31, 2011. We made payments of RMB20.3 million (\$3.1 million) to purchase property, plant and equipment and RMB13.2 million (\$2.0 million) to Cordlife as consideration for the 6,841,666 shares acquired during the year ended March 31, 2011.

Net cash used in investing activities was RMB158.8 million for the year ended March 31, 2010. We made an investment deposit of RMB140.3 million for the investment in a 19.9% equity interest in Qilu, the exclusive cord blood bank operator in Shandong province, and the transaction was completed on May 6, 2010.

Net cash used in investing activities was RMB34.4 million for the year ended March 31, 2009. We made payments of RMB43.2 million to purchase property, plant and equipment and an additional RMB13.4 million as deposit for our purchase of property, plant and equipment, both of which were primarily related to the construction and upgrading of our Beijing and Guangdong facilities. Further, we made a payment of RMB11.2 million to Cordlife as consideration for the 5,795,000 shares acquired during the year ended March 31, 2009. The foregoing was partly offset by the proceeds from redemption of structured deposit of RMB33.3 million.

Cash Flow provided by/(used in) Financing Activities

Net cash provided by financing activities was RMB193.1 million (\$29.5 million) for the year ended March 31, 2011. We received proceeds from issuance of shares upon the public offering of RMB211.0 million (\$32.2 million) and upon exercise of warrants of RMB11.8 million (\$1.8 million), offset by payments of offering costs and share repurchase of RMB19.0 million (\$2.9 million) and RMB10.7 million (\$1.6 million), respectively.

Net cash provided by financing activities was RMB242.4 million for the year ended March 31, 2010. In November 2009, we received proceeds upon public offering of RMB137.6 million and upon exercise of overallotment options in January 2010 of RMB20.6 million. We also received proceeds from the issuance of shares upon exercise of share options of RMB39.7 million and on April 27, 2009 we entered into a loan agreement with Hua Xia Bank in the PRC providing a one year bank loan facility to finance the purchase of raw materials. Borrowings, which amounted to RMB45.0 million as of March 31, 2010, are denominated in RMB and are secured by our building in the PRC without any financial covenants. Amounts outstanding bear a floating interest rate at 110% of the base lending rate quoted by the People's Bank of China, which is repriced monthly. As of March 31, 2010, such rate was 5.85% per annum.

Net cash used in financing activities was RMB35.3 million for the year ended March 31, 2009, all of which were used for the payment of professional fees and expenses relating to the abandoned initial public offering and reverse acquisition of Pantheon. Expenditures related to the reverse recapitalization were booked as deferred offering and proposed recapitalization costs in our consolidated balance sheet.

Capital Expenditures

For the years ended March 31, 2010 and 2011, our capital expenditures consisted primarily of expenditures for the expansion of our cord blood banks in Beijing and Guangdong, regions in which we are licensed to operate cord blood banks. In connection therewith, we have acquired property, plant and equipment and incurred construction costs.

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

Contractual Obligations and Commercial Commitments

The table below presents annual payments due by year for our contractual obligations and commercial commitments as of March 31, 2011.

Amount Due

	<u>Less than 1 year RMB</u>	<u>1 – 3 Years RMB</u>	<u>3 – 5 Years RMB</u>	<u>More than 5 years RMB</u>	<u>Total RMB</u>
			(in thousands)		
Commercial commitments	6,000	11,770	8,000	48,167	73,937
Research and development	2,000	•	•	•	2,000
Operating lease obligations	5,495	10,597	8,522	46,512	71,126
	<u>13,495</u>	<u>22,367</u>	<u>16,522</u>	<u>94,679</u>	<u>147,063</u>

- **Commercial commitments.** The commercial commitments primarily relate to the fees payable to Peking University People's Hospital, Guangdong Women and Children's Hospital and Health Institute and Zhejiang Provincial Blood Center pursuant to co-operation agreements for their consultancy services in relation to the operation of cord blood banks at a fixed annual amount of RMB2.0 million (\$0.3 million) for a term of twenty years, a fixed annual amount of RMB2.0 million (\$0.3 million) for a term of twenty years and a fixed annual amount of RMB2.0 million (\$0.3 million) for a term of three years, respectively.
- **Research and development.** We entered into an agreement with a research institution for the research and development of medical treatments that make use of cord blood stem cells. We are obligated to pay RMB2.0 million (\$0.3 million), upon the issue of a new medicine certificate for the new medicine currently under research and development.
- **Operating leases.** The operating lease obligations relate to the lease agreements for leasing certain premises in Guangdong and also between us and a subsidiary of Golden Meditech regarding the leasing of certain premises in Beijing.

Off-balance Sheet Arrangements

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

Inflation

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the consumer price indexes in China were, 105.9 and 99.3 in 2008 and 2009, respectively.

Recently Issued Accounting Pronouncements

(i) Accounting Standards Codification (“ASC”) 605-25

In September 2009, the Financial Accounting Standards Board (“FASB”) ratified the new guidance on revenue recognition for multiple-element arrangements (currently codified in ASC 605-25, Revenue Recognition - Multiple-Element Arrangements), which addresses the criteria for separating consideration in multiple-element arrangements. The new guidance requires an entity to allocate the overall consideration to each deliverable based on estimated selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price for the deliverables. The new guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and is generally applied on a prospective basis although earlier application is permitted as of the beginning of a fiscal year or to prior years. The Company will adopt the new guidance in its fiscal year beginning April 1, 2011 and management does not expect the adoption of this to have a material impact on the Group’s consolidated financial statements.

(ii) ASC 855

In May 2009, the FASB updated the guidance about subsequent events (currently codified in ASC 855-10, Subsequent Events), which establishes principles and requirements for subsequent events. In particular, ASC 855-10-25-1A sets forth the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This updated guidance is effective for interim or annual financial periods ended after June 15, 2009. The adoption of ASC 855-10-25-1A did not have a material impact on the Company’s consolidated financial statements. In February 2010, the FASB amended ASC 855-10-50. Further to the amendment, an SEC filer is not required to disclose the date through which subsequent events have been evaluated. The amendment is effective for interim or annual periods ending after June 15, 2010. The Company has applied this new guidance in its fiscal year beginning April 1, 2010.

(iii) Accounting Standards Update (“ASU”) 2010-06

In January 2010, the FASB amended the guidance on fair value disclosure requirements (currently codified in ASC 820-10, Fair Value Measurements and Disclosures), which requires additional disclosures for transfers in and out of Levels I and II and for activity in Level III. The guidance is effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. ASU 2010-06 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. The Company adopted the new guidance in its fiscal year beginning April 1, 2010 but the adoption of this did not have a material impact on its consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

Our current directors and executive officers are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Ting Zheng	39	Chairperson of the Board and Chief Executive Officer
Albert Chen	35	Chief Financial Officer and Director
Mark D. Chen ⁽¹⁾⁽²⁾⁽³⁾	43	Independent Non-executive Director
Dr. Ken Lu ⁽¹⁾⁽²⁾⁽³⁾	47	Independent Non-executive Director
Jennifer J. Weng ⁽¹⁾⁽²⁾⁽³⁾	43	Independent Non-executive Director
Feng Gao ⁽⁴⁾	55	Managing Director • China Region
Yue Deng	41	Chief Executive Officer • Beijing Division
Rui Arashiyama	52	Chief Executive Officer • Guangdong Division
Xin Xu	57	Chief Technology Officer

- (1) Members of audit committee
- (2) Member of compensation committee
- (3) Member of nominating and corporate governance committee
- (4) Officially retired from the group on December 31, 2010.

Ting Zheng, serves as our chairperson and chief executive officer. She has been in charge of our cord blood bank operations since 2003 and is responsible for the strategic direction, development and overall management of CCBC. Aside from overseeing the overall operation of CCBC, she is also responsible for strategic developments, acquisition planning and negotiations, and formulating overall business strategy and various business initiatives of CCBC. She has more than ten years of experience in the fields of accounting, internal control, and corporate strategies and development in China's healthcare industry. Ms. Zheng has served as an executive director of Golden Meditech and has been in charge of its and its subsidiaries' financial and internal control systems since September 2001. She assumed a critical role in the initial public offering by Golden Meditech on the Growth Enterprise Market of the Hong Kong Stock Exchange in December 2001. In addition, she participated in the initial public offering by China Medical Technology Inc., a Chinese medical equipment company, in the NASDAQ Global Market in 2005 in her capacity as a director of that company. She played an important role in our acquisition of Nuoya and investments in Cordlife. Prior to joining us, Ms. Zheng worked for Sino-reality Certified Public Accountants, an accounting firm in China, from 1997 to 2001. She received an Executive MBA degree from Renmin University of China. As of the date of this report, Ms. Zheng is also a director of Golden Meditech.

Albert Chen, serves as our chief financial officer and a director. He is in charge of CCBC's finance-related matters, including accounting and budget planning. He is also involved in CCBC's corporate structuring and development, including mergers and acquisitions, and investment in foreign healthcare companies. For example, he played an important role in our acquisition of Nuoya and investments in Cordlife. He has served as the corporate finance vice president of Golden Meditech since March 2005. Prior to joining Golden Meditech, Mr. Chen worked in a number of financial institutions, including SalomonSmithBarney, DBS Vickers Securities and UOB Kay Hian in Hong Kong. During his employment as an analyst in UOB Kay Hian from 2003 to March 2005, he was a senior analyst specializing in the pharmaceutical and healthcare industries and was ranked as one of the best analysts for small cap companies in the region in a poll conducted by Asia Money among brokers in 2003. Mr. Chen is a CFA charterholder. He received his bachelor's degree in commerce from Queen's University, Canada, School of Business in 1999 with a major in finance and accounting.

Mark D. Chen, serves as one of our independent non-executive directors. Prior to the Business Combination on June 30, 2009, Mr. Chen was Pantheon's chairman of the board, chief executive officer and president since its inception. Since 1998, Mr. Chen has been a founding general partner of Easton Capital Investment Group and its various affiliated funds, a New York based private equity investment firm, and has served in various positions, including managing director and, and currently a venture partner, a position he has held since 2005. He is currently a director and chairman of the audit committee of Skystar Bio-Pharmaceutical Company (NASDAQ:SKBI). Mr. Chen received a B.S. from the Shanghai Jiao Tong University in Shanghai, China, an M.S. from Pennsylvania State University and an M.B.A. from the Columbia Business School at Columbia University. Mr. Chen is the spouse of Jennifer J. Weng.

Dr. Ken Lu, has served as one of our independent non-executive directors since the Business Combination on June 30, 2009. Dr. Lu is the founder and managing director of APAC Capital Advisors Limited, or APAC Capital, an investment management company that focuses on the Greater China markets. Prior to the establishment of APAC Capital in May 2004, Dr. Lu worked as an analyst for Credit Suisse, then known as Credit Suisse First Boston, where he was promoted as the director and head of China research department leading a team of more than ten analysts and directing China research products. Prior to joining Credit Suisse in 1998, Dr. Lu had also worked for a number of leading investment banking and advisory institutions, including JP Morgan Securities Asia Inc., Schroders Asia Limited and JRM Investment Counsel, Inc. Dr. Lu graduated from Beijing University in 1985 with a bachelor's degree in biology. Dr. Lu graduated from the Brigham Young University in 1988 with a master's degree in biochemistry. Dr. Lu obtained his doctorate degree in finance in 1995 from the University of California, Los Angeles.

Jennifer J. Weng, serves as one of our independent non-executive directors. Prior to the Business Combination on June 30, 2009, Ms. Weng was Pantheon's chief financial officer and secretary since its inception. Since April 2005, she has been an executive director of Greater Pacific Inc., a financial advisory company through which she has been active in its private investment activities, as well as providing strategic and financial advisory services to private companies in China. From January 2001 to March 2005, she was a senior research analyst with Industrial Bank of Japan, Ltd. and its successor Mizuho Corporate Bank in New York, one of the world's largest commercial banks, providing research, due diligence, and credit analysis for public debt offering, corporate lending and leveraged buyout transactions in a wide range of industries in the United States. From May 2000 to January 2001, she was the vice president of finance for a-Media Inc., a publishing and media company based in New York. From February 1998 to May 2000, she was an associate of the fixed income division with Morgan Stanley. From 1995 to 1998, she was with KPMG Peat Marwick performing auditing on numerous private and public companies in United States. Ms. Weng received a B.A. from Tongji University, China and an M.B.A. from Indiana University of Pennsylvania. Ms. Weng is the spouse of Mark D. Chen.

Dr. Feng Gao, served as our managing director in the China region. He is responsible for the overall development and management of CCBC's China operation. He has more than twenty years of marketing and managerial experience in the healthcare industry. He joined Jiachenhong in November 2004. From 1998 to 2004, Dr. Gao served as the chief representative in the Beijing representative office of Guidant International Corporation, or "Guidant", which was subsequently merged with Boston Scientific, a manufacturer of advanced medical devices. He also served as Guidant's regional manager in charge of the overall management of sales, finance, administration and human resources. During his employment with Guidant, Dr. Gao successfully established a comprehensive distribution network in the northern China and an effective distributor management system. From 1993 to 1998, he served as the chief representative and officer manager of Coulter Electronics (HK) Ltd. Before 1993, Dr. Gao worked as the manager in charge of sales and marketing for Stryker Corporation and Siemens in Beijing. Dr. Gao is a medical doctor and practiced as a pediatrician in the Beijing Children's Hospital from 1983 to 1989. He graduated from the Capital University of Medical Sciences in China in 1983 with a bachelor's degree in medicine. He received his doctorate degree in business administration from the Sino-European International Management Institute in 2007. He retired in December 31, 2010.

Yue Deng, serves as our chief executive officer in the Beijing division. She is responsible for the daily operations and management of Jiachenhong. She joined Jiachenhong in November 2004. From 1998 to 2004, Ms. Deng managed sales and marketing, product registration, government relations and customer services in Guidant's Beijing representative office. During her employment with Guidant, she successfully developed a new market in the Liaoning province and won several awards in sales and marketing in recognition of her communication, leadership and strategic planning skills. From 1995 to 1998, Ms. Deng served as the office manager and sales coordinator in Guidant's Beijing representative office. From 1993 to 1995, she served as the secretary to the general manager at NOX international (Tianjin) Co., Ltd. She graduated from Nankai University in China in 1991 with a bachelor's degree in economics.

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

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

Under our articles of association, directors are divided into three classes. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. The three classes of directors are called Class A, Class B and Class C. One class will be elected each year by shareholders at the annual general meeting and will have a term of three years. As soon as practicable following the effectiveness of the articles of association, the directors then in office will by resolution of the board of directors select which of the directors will be Class A directors, Class B directors and Class C directors. Until such time each director will have a term of one year. It is currently anticipated that Mr. Mark D. Chen and Mr. Albert Chen will be Class A directors, Ms. Ting Zheng and Dr. Ken Lu will be Class B directors, and Ms. Jennifer J. Weng will be a Class C director.

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

B. Compensation

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

- Ms. Ting Zheng, who is our chairperson of the board and the chief executive officer.
- Mr. Albert Chen, who is our chief financial officer and director.
- Dr. Feng Gao, who was our managing director in the China Region.
- Ms. Yue Deng, who is our chief executive officer of the Beijing division.
- Ms. Rui Arashiyama, who is our chief executive officer of the Guangdong division.
- Ms. Xin Xu, who is our chief technology officer.

Compensation Discussion and Analysis

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

For the fiscal years ended March 31, 2009, 2010 and 2011, the compensation of the above executive officers substantially consisted of a base salary, and an annual bonus and other benefits, each of which is described in more detail below:

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

For the year ended March 31, 2009, Ms. Ting Zheng and Mr. Albert Chen received a portion of their compensation from Golden Meditech. During this period, Ms. Zheng, as executive director of Golden Meditech, and Mr. Chen, as vice president of corporate finance of Golden Meditech, were responsible for our development and Golden Meditech's other businesses, which include medical devices manufacturing, healthcare services, natural herbal medicine manufacturing, and Golden Meditech's various merger and acquisition initiatives. The compensation that Ms. Ting Zheng and Mr. Albert Chen received from Golden Meditech for services rendered to us for the year ended March 31, 2009 were not material. On June 30, 2009, Ms. Zheng and Mr. Chen entered into employment agreements with us providing for annual base salaries of HK\$1,300,000 and HK\$1,300,000, respectively and have been revised to HK\$1,430,000 and HK\$1,430,000 with effect from July 1, 2010, (or US\$183,922.83 and US\$183,922.83, respectively, based on the noon buying rate as of March 31, 2011, which was HK\$7.775 to US\$1.00).

- **Annual bonus.** Bonus for any of the above executive officers are discretionary and is generally linked to his or her individual performances for the year, including contribution to our strategic and corporate operating plans, with individual performance and providing executive officers performance incentives for attaining specific goals.
- **Severance benefits.** Prior to June 30, 2009, there were no written employment contracts between us and any of the named executive officers. In compliance with PRC law, however, Jiachenhong has entered into standard employment contracts with Dr. Gao, Ms. Deng and Ms. Xu, and Nuoya has entered into standard employment contracts with Ms. Arashiyama. These contracts provide for severance payments under limited circumstances as required by PRC law.

In addition, in 2006, CSC, our wholly-owned subsidiary, adopted an option scheme to promote the success of CSC and to increase shareholder value by providing additional means to attract, motivate, retain and reward selected directors, officers and employees. Referred to in this report as the "2006 Scheme", the scheme was approved by the shareholders of CSC at the extraordinary general meeting held on August 28, 2006. As required under the listing rules of the Growth Enterprise Market of the Hong Kong Stock Exchange, the 2006 Scheme was approved by the shareholders of Golden Meditech at an extraordinary general meeting held on September 21, 2006.

In accordance with the listing rules of the Growth Enterprise Market of the Hong Kong Stock Exchange, shareholders of Golden Meditech conducted an extraordinary general meeting on December 15, 2008 to approve, among others, the termination of the 2006 Scheme upon completion of the Business Combination and the adoption of a substantively similar scheme by CCBC. As a result of the termination, the right to acquire shares of CSC under the share options granted under the 2006 Scheme were converted into the right to acquire the ordinary shares of CCBC. On June 30, 2009, all options granted under the CSC Scheme were exercised and converted to the right to receive ordinary shares of CCBC.

Name and Principal Position	Year ended March 31,	Salary⁽¹⁾ (\$)	Bonus⁽¹⁾ (\$)	Total⁽¹⁾ (\$)
Ting Zheng ⁽²⁾ Chief Executive Officer	2011	180,386	257,235	437,621
	2010	132,258	•	132,258
	2009	•	•	•
Albert Chen ⁽³⁾ Chief Financial Officer	2011	180,386	257,235	437,621
	2010	151,613	•	151,613
	2009	58,294	•	58,294
Feng Gao ⁽⁴⁾ Managing Director – China Region	2011	92,303	15,434	107,737
	2010	147,050	•	147,050
	2009	110,556	69,953	180,509
Yue Deng Chief Executive Officer – Beijing Division	2011	105,137	42,444	147,581
	2010	107,000	•	107,000
	2009	84,061	42,749	126,810
Rui Arashiyama ⁽⁵⁾ Chief Executive Officer – Guangdong Division	2011	131,043	29,582	160,625
	2010	131,324	•	131,324
	2009	7,101	•	7,101
Xin Xu Chief Technology Officer	2011	68,286	179,990	248,276
	2010	59,280	•	59,280
	2009	42,065	20,727	62,792

- (1) All of the named executive officers were paid by CCBS in Renminbi for the years ended March 31, 2009, 2010 and 2011. The currency exchange rate used to convert the payment amounts into US dollars was the noon buying rate as of March 31, 2011, which was RMB6.5483 to US\$1.00. The translations of Renminbi amount into U.S. dollars in this table at the specified rate is solely for the convenience of the reader.
- (2) Ms. Zheng is also the executive director of Golden Meditech, one of our shareholders. For the year ended March 31, 2009, Ms. Zheng received from Golden Meditech \$83,871 as compensation for such role. The compensation that Ms. Zheng received from Golden Meditech during these years for services rendered to us were not material and we were not liable for any portion of the compensation Ms. Zheng received from Golden Meditech. Such amounts were therefore not recognized as compensation expenses in our financial statements. On June 30, 2009, Ms. Zheng entered into an employment agreement with us providing for an annual base salary of HK\$1,300,000, which has been revised to HK\$1,430,000, with effect from July 1, 2010, (or US\$183,922.83, based on the noon buying rate as of March 31, 2011, HK\$7.775 to US\$1.00). Ms. Zheng was paid by Golden Meditech, and is now paid by CCBC, in Hong Kong dollars. The currency exchange rate used to convert the payment amounts into US dollars was the noon buying rate as of March 31, 2011, which was HK\$7.775 to \$1.00.
- (3) Mr. Chen was also the vice-president of corporate finance of Golden Meditech, one of our shareholders. For the year ended March 31, 2009, Mr. Chen received from Golden Meditech \$83,871 as compensation for such role. The compensation that Mr. Chen received from Golden Meditech during these years for services rendered to us were not material and we were not liable for any portion of the compensation Mr. Chen received from Golden Meditech. Such amounts were therefore not recognized as compensation expenses in our financial statements. On June 30, 2009, Mr. Chen entered into an employment agreement with us providing for an annual base salary of HK\$1,300,000, which has been revised to HK\$1,430,000, with effect from July 1, 2010, (or US\$183,922.83, based on the noon buying rate as of March 31, 2011, HK\$7.775 to US\$1.00). Mr. Chen was paid by Golden Meditech, and is now paid by CCBC, in Hong Kong dollars. The currency exchange rate used to convert the payment amounts into US dollars was the noon buying rate as of March 31, 2011, which was HK\$7.775 to \$1.00.
- (4) Dr. Feng Gao retired from the Group on December 31, 2010.
- (5) Ms. Rui Arashiyama was hired by CCBS in mid-March 2009.

As of the date of this report there are no outstanding option awards.

Post-Acquisition Employment Agreements

On June 30, 2009, CCBC entered into service contracts with six senior executive officers. These officers are entitled to severance payments under certain circumstances, including a change of control of CCBC. See “Key Information • Risk Factors • Risks Relating to Our Business • We may have anti-takeover provisions in our organizational documents that discourage a change of control.” Except for these new service contracts and the standard employment contracts required by PRC law for Dr. Gao, Ms. Deng, Ms. Arashiyama and Ms. Xu, CCBC does not have other service contracts with its directors or executive officers and does not set aside any amounts for pension, retirement or other benefits for our directors and officers other than to participate in statutory employee benefit plans mandated by PRC law.

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

The material terms under the employment agreements are as follows:

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

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

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

C. Board Practices

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee.

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

Our board of directors has adopted an audit committee charter, providing for the following responsibilities of the audit committee:

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

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

Our board of directors has adopted a compensation committee charter, providing for the following responsibilities of the compensation committee:

- reviewing and making recommendations to the board regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and making recommendations to the board regarding bonuses for our officers and other employees;
- reviewing and making recommendations to the board regarding share-based compensation for our directors and officers;
- annually reviewing and reassessing the adequacy of the charter;
- administering our share option plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors after the Business Combination from time to time.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee consists of Mr. Mark D. Chen, Dr. Ken Lu and Ms. Jennifer J. Weng. Dr. Lu is the chair of our nominating and corporate governance committee. Mr. Chen, Dr. Lu and Ms. Weng do not have any direct or indirect material relationship with CCBC other than as a director.

Our board of directors has adopted a nominating and corporate governance committee charter, providing for the following responsibilities of the nominations committee:

- overseeing the process by which individuals may be nominated to our board of directors;
- identifying potential directors and making recommendations as to the size, functions and composition of our board of directors;
- considering nominees proposed by our shareholders;
- annually reviewing and reassessing the adequacy of the charter;
- establishing and periodically assessing the criteria for the selection of potential directors; and
- making recommendations to the board of directors on new candidates for board membership.

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

Corporate Governance

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

Insider Trading Policy

Directors, executive officers and employees may acquire confidential information from time to time through their employment or fiduciary relationship with CCBC. Golden Meditech is a publicly traded company on the Main Board of the Hong Kong Stock Exchange. The laws of Hong Kong strictly prohibit any director, officer or employee of a publicly traded company, whenever and in whatever capacity employed, from trading company securities while aware of material non-public information about the company.

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

D. Employees

As at March 31, 2009, 2010, 2011, we had 419, 541 and 610 full-time employees, respectively.

The following table sets forth the number of employees based in Beijing and Guangdong respectively and categorized by function as at March 31, 2011:

	<u>Beijing</u>	<u>Guangdong</u>
Sales and marketing and after-sales support and services	136	203
Laboratory technicians	50	69
Management and administration	96	56
Total	282	328

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

E. Share Ownership

See Item 7, below.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

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

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

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

Name and Address ⁽¹⁾	Number of Shares Beneficially Owned	Percentage of Ownership
Directors and executive officers:		
Ting Zheng	1,071,994	1.5%
Albert Chen ⁽⁵⁾	393,064	*
Mark D. Chen ⁽²⁾	398,144	*
Dr. Ken Lu ⁽³⁾	314,049	*
Jennifer J. Weng ⁽²⁾	398,144	*
Dr. Feng Gao	214,400	*
Yue Deng	142,934	*
Rui Arashiyama	•	•
Xin Xu	71,466	*
All directors and executive officers as a group	2,606,051	3.5%
Principal shareholders:		
Golden Meditech Holdings Limited ⁽⁴⁾	29,822,878	40.5%
Kent C. McCarthy ⁽⁶⁾	5,989,644	8.1%

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

- (1) Unless otherwise indicated, the business address of each beneficial owner is 48th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong, S.A.R. Percentages based on 73,663,614 shares outstanding as of the date of this report.
- (2) Includes (i) 53,488 ordinary shares held by Jennifer J. Weng, (ii) 183,198 ordinary shares held by Super Castle Investments Limited, a company owned by Mr. Chen, and (iii) 161,458 ordinary shares held by Pantheon China Acquisition Limited, an entity controlled by Mr. Chen. Mark D. Chen and Jennifer J. Weng are married.
- (3) Represents ordinary shares held by Time Galaxy Limited, a company incorporated under the laws of the British Virgin Islands of which Dr. Ken Lu is a director.
- (4) Includes 29,822,878 ordinary shares held by GM Stem Cells, a wholly-owned subsidiary of Golden Meditech.
- (5) Includes (i) 321,598 ordinary shares held by Albert Chen, (ii) 71,466 ordinary shares held by his spouse.
- (6) Includes (i) 3,217,696 ordinary shares held by Jayhawk China Fund (Cayman), Ltd., and (ii) 2,771,948 ordinary shares held by Jayhawk Private Equity Fund II, L.P. Mr. McCarthy is the manager of and controls Jayhawk Private Equity, LLC. Jayhawk Private Equity, LLC is the general partner of Jayhawk Private Equity GP II, L.P. and, as a result, controls Jayhawk Private Equity GP II, L.P. Jayhawk Private Equity GP II, L.P. is the general partner of Jayhawk Private Equity Fund II, L.P. and, as a result, controls Jayhawk Private Equity Fund II, L.P. Therefore, Mr. McCarthy, Jayhawk Private Equity, LLC, and Jayhawk Private Equity GP II, L.P. are deemed to be beneficial owners of the securities owned of record by Jayhawk Private Equity Fund II, L.P. and have reported that they share voting power and dispositive power over such securities. Mr. McCarthy is also the manager of and controls Jayhawk Capital Management, L.L.C. Jayhawk Capital Management, L.L.C. is the manager and investment advisor of Jayhawk China Fund (Cayman), Ltd. and, as a result, controls Jayhawk China Fund (Cayman), Ltd. Therefore, Mr. McCarthy and Jayhawk Capital Management, L.L.C. are deemed to be beneficial of the securities owned of record by Jayhawk China Fund (Cayman), Ltd. and have reported that they share voting power and dispositive power over such securities. The business address of Mr. McCarthy and each of the entities described above is 930 Tahoe Blvd, 802-281, Incline Village, NV, 89451.

As of the date of this report, 39.4% of our outstanding ordinary shares are held by nine record holders in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

General Principles on Related Party Transactions

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

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

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

Shareholder's Loans

GM Stem Cells, a major direct shareholder, extended two interest-free and unsecured loans to Jiachenhong pursuant to two loan agreements dated October 28, 2003 and February 4, 2004, respectively. The two loans, in the principal amounts of US\$6.1 million each, were provided for the purposes of financing Jiachenhong's business expansion and working capital requirements.

As part of Golden Meditech's restructuring of its cord blood banking business, on August 28, 2006, CSC Holdings entered into a loan assignment agreement with GM Stem Cells, pursuant to which the two loans were assigned to CSC Holdings by GM Stem Cells. As consideration for such assignment, CSC Holdings allotted and issued 21 ordinary shares to GM Stem Cells, representing 21% of CSC Holdings then-existing share capital before the share issue. The 21 ordinary shares in CSC Holdings were valued based on the implied market value of CSC Holdings of approximately US\$58 million at the time of the issuance, which was derived by reference to the consideration paid by minority shareholders in their transfer of our shares.

We believe the consideration of the issuance represented fair and reasonable implied market value for the CSC Holdings shares because it is in line with the consideration for the transfer of the CSC Holdings shares among its shareholders from time to time. In addition, CSC Holdings received unanimous approvals from its shareholders for such loan assignments. As a result of the issuance, CSC Holdings' obligations toward GM Stem Cells were cancelled.

Lease Agreement

On March 16, 2005, Jiachenhong entered into a property lease agreement with Beijing Jingjing, pursuant to which Beijing Jingjing leased its real property in Beijing to Jiachenhong. Beijing Jingjing is a wholly-owned subsidiary of Golden Meditech and is engaged in the medical equipment manufacturing business. The real property is approximately 2,400 square meters in size and may be used by Jiachenhong for its business operations or scientific research or as office premises at an effective monthly rental of RMB174,000. The lease was renewed in July 2009 at a monthly rental of RMB120,000, for a period of 5.5 years expiring in December 2014. The new lease covers a premises of 1,920 square meters.

C. Interests of Experts and Counsel

Not required.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 18.

B. Significant Changes

None

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The following tables set forth, for the periods indicated and through June 30, 2011, the high and low sale prices for CCBC's shares and warrants, respectively, as reported on the Over-the-Counter Bulletin Board or the NYSE, as applicable. (See Item 9C for the dates that the securities were traded on each market).

	Shares		Warrants	
	High	Low	High	Low
Fiscal Annual Highs and Lows				
2010 (June 30, 2009 through March 31, 2010)	\$ 12.85	\$ 5.00	\$ 1.75	\$ 0.21
2011	6.11	2.92	0.98	0.17
Fiscal Quarterly Highs and Lows				
2010				
Second Quarter	7.50	5.98	0.80	0.39
Third Quarter	12.85	5.39	1.75	0.21
Fourth Quarter	6.75	5.00	1.65	0.54
2011				
First Quarter	6.11	5.00	0.98	0.22
Second Quarter	5.96	3.86	0.70	0.17
Third Quarter	5.79	3.10	0.60	0.25
Fourth Quarter	4.11	2.92	N/A	N/A
2012				
First Quarter	3.70	3.25	N/A	N/A
Second Quarter (through August 31)	3.62	2.90	N/A	N/A
Monthly Highs and Lows				
March 2011	4.11	2.92	N/A	N/A
April 2011	3.70	3.25	N/A	N/A
May 2011	3.48	3.00	N/A	N/A
June 2011	3.31	2.90	N/A	N/A
July 2011	3.62	3.25	N/A	N/A
August 2011	3.59	3.04	N/A	N/A

B. Plan of Distribution

Not Applicable.

C. Markets

Our shares are listed on the NYSE under the symbol CO since November 19, 2009. From June 30, 2009 through November 19, 2009, our shares were quoted on the Over-The-Counter Bulletin Board, under the symbol "CNDZF". CCBC's warrants were quoted on the Over-The-Counter Bulletin Board, under the symbol "CNDWF" from June 30, 2009 through December 10, 2010 the date the warrants expired.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

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

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

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

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

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

Questions arising at a meeting of our board of directors are required to be decided by simple majority votes of the members of our board of directors present or represented at the meeting. In the case of a tie vote, the chairman of the meeting shall have a second or deciding vote. Our board of directors may also pass resolutions without a meeting by unanimous written consent.

Pursuant to our amended and restated articles of association, our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee.

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

Rights, Preferences and Restrictions Attaching to the Company's Shares. As of March 31, 2011, our authorized share capital is US\$25,100, consisting of 250,000,000 ordinary shares, par value US\$0.0001 per share, and 1,000,000 preferred share, par value US\$0.0001 per share, and the issued share capital consists of 75,406,875 ordinary shares fully paid or credited as fully paid.

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

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

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

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

Alteration of Rights. Except with respect to share capital (as described below), alterations to our amended and restated memorandum and articles of association may only be made by special resolution of no less than three-quarters of votes cast at a meeting of the shareholders.

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

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

We may from time to time by ordinary resolution:

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

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

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

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

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

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

Limitations on the Right to Own Securities. There are no limitations on the rights to own securities of the Company, or limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the Company's securities, contained in the Company's Amended and Restated Memorandum and Articles of Association or under Cayman Islands law.

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

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

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

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

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

Mergers and Similar Arrangements. The Companies Law provides for the merger and consolidation of (i) Cayman Islands companies and (ii) Cayman Islands and foreign companies. A merger of two or more constituent companies under the Companies Law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by (a) a majority in number representing seventy-five percent (75%) in value of the shareholders voting together as one class and (b) if the shares to be issued to each shareholder in the surviving company are to have the same rights and economic value as the shares held in the constituent company, a special resolution of the shareholders voting together as one class. A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company. The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

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

Cayman Islands law contains statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement in question is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands.

While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- the company is not proposing to act illegally or ultra vires and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a “fraud on the minority”.

When a takeover offer is made and accepted by holders of 90.0% of the shares within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

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

C. Material Contracts

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

D. Exchange Controls

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

E. Taxation

United States Federal Income Taxation

General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares. The discussion below of the U.S. federal income tax consequences under the heading “U.S. Holders” will apply to a beneficial owner of our ordinary shares that is for U.S. federal income tax purposes:

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

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

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

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

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

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

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

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

Tax Treatment of CCBC After the Redomestication and the Share Exchange

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

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

U.S. Holders

Taxation of Cash Distributions Paid on Ordinary Shares

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

With respect to non-corporate U.S. Holders for taxable years beginning before January 1, 2013, any such dividends may be subject to U.S. federal income tax at the lower applicable regular long term capital gains tax rate (see “• Taxation on the Disposition of Ordinary Shares” below) provided that (1) our ordinary shares are readily tradable on an established securities market in the United States or, in the event we are deemed to be a PRC “resident enterprise” under the EIT law, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “U.S.-PRC Tax Treaty”), (2) we are not a PFIC, as discussed below, for either the taxable year in which such dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, ordinary shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NYSE. While our ordinary shares are currently listed and traded on the NYSE, U.S. Holders nevertheless should consult their own tax advisors regarding the availability of the lower rate for any dividends paid with respect to our ordinary shares. For taxable years beginning on or after January 1, 2013, the regular U.S. federal income tax rate applicable to such dividends currently is scheduled to return to the regular U.S. federal income tax rate generally applicable to ordinary income.

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

Taxation on the Disposition of Ordinary Shares

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

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 15% for taxable years beginning before January 1, 2013 (but currently scheduled to increase to 20% for taxable years beginning on or after January 1, 2013). Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

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

Additional Taxes After 2012

For taxable years beginning after December 31, 2012, U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, among other things, cash dividends on, and capital gains from the sale or other taxable disposition of, our ordinary shares, subject to certain limitations and exceptions. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our ordinary shares.

Passive Foreign Investment Company Rules

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

Based on the composition (and estimated values) of the assets and the nature of the income of us and our subsidiaries for our taxable year ended March 31, 2011, we do not expect that we will be treated as a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for such year, there can be no assurance with respect to our PFIC status for such year. There also can be no assurance with respect to our status as a PFIC for our current taxable year or any subsequent taxable year.

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

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

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;

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

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

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

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

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

Although a determination as to our PFIC status will be made annually, an initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held our ordinary shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such ordinary shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime in respect to such ordinary shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our ordinary shares, the PFIC rules discussed above will continue to apply to such shares unless the holder makes a purging election in respect to such ordinary shares. A purging election generally creates a deemed sale of such ordinary shares at their fair market value. The gain recognized by the purging election generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder generally will increase the adjusted tax basis in its ordinary shares by the gain recognized and also will have a new holding period in its ordinary shares for purposes of the PFIC rules.

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

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

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

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

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

Non-U.S. Holders

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

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

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to U.S. federal income tax (but not the Medicare contribution tax) at the same regular U.S. federal income tax rates as applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, also may be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

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

Moreover, backup withholding of U.S. federal income tax at a rate of 28% for taxable years beginning before January 1, 2013 (but currently scheduled to increase to 31% for taxable years beginning on or after January 1, 2013), generally will apply to cash dividends paid on our ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

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

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

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

F. Dividends and paying agents

Not required.

G. Statement by experts

Not required.

H. Documents on display

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

In addition, we will file annual reports and other information with the Securities and Exchange Commission. We will file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders will be exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. Annual reports and other information we file with the Commission may be inspected at the public reference facilities maintained by the Commission at Room 1024, 100 F. Street, N.E., Washington, D.C. 20549, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the Commission. In addition, the Commission maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the Commission which can be assessed at <http://www.sec.gov>.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Foreign Currency Risk

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

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

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

We had cash and cash equivalents denominated in U.S. dollars of \$12.6 million, as of March 31, 2011. As majority of U.S. dollars were held by our subsidiary whom functional currency is Hong Kong dollars, any exchange differences on retranslation of such balances into Hong Kong dollars are recognized in the income statement. However, the related currency risk is not considered significant as the Hong Kong dollar is pegged to the U.S. dollar. Further, as we adopt Renminbi as its reporting currency, the reported amount of cash and cash equivalents will be affected by fluctuations in the exchange rate of U.S. dollar to Renminbi.

Interest Rate Risk

As of March 31, 2011, we had cash and cash equivalents of RMB611.4 million (\$93.4 million). On September 14, 2007, we acquired a structured deposit which has a term of 2 years. The structured deposit was redeemed on November 24, 2008. Unrealized gain of RMB5.7 million and realized gain of RMB0.4 million has been credited to income for the years ended March 31, 2008 and 2009, respectively. Aside from the RMB45 million (\$6.9 million) bank loan, we do not maintain any credit facilities. Our cash equivalents primarily represent short-term deposits. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-bearing instruments carry a degree of interest rate risk. Our future interest income may be lower than expected due to changes in market interest rates. With respect to the cash and cash equivalents outstanding as of March 31, 2011, a 10% decrease in interest rates would have decreased our interest income from bank deposits for the year ended March 31, 2011 from RMB1.3 million (\$0.2 million) to RMB1.2 million (\$0.2 million).

Equity Price Risk

As of March 31, 2011, we had available-for-sale equity securities of RMB52.7 million (\$8.1 million). The available-for-sale equity securities represent our equity investment in Cordlife, a publicly traded company on the Australian Stock Exchange. In June 2010, we entered into agreement to underwrite Cordlife's rights issue. On July 4, 2010, we terminated the underwriting agreement and were released from such obligation but continued to participate in the rights issue and took up our share entitlements on a pro-rata basis. On June 16, 2011, shareholders of Cordlife approved a capital reduction scheme by way of distribution in specie. The scheme involves a demerger of Cordlife more mature cord blood banking business. The demerger and distribution in specie were subsequently completed and effective on June 30, 2011. We own 16.1% of CBB shares and Cordlife Singapore shares at June 30, 2011. CBB shares are continued to be traded in Australian Securities Exchange. CBB securities are exposed to price fluctuations.

In May 2010, we completed the investment in approximately 19.9% equity interest in Qilu, the exclusive cord blood bank operator in the Shandong province. We do not have any representation in the Board of Directors of Qilu and do not have control or significant influence in Qilu. Therefore, we classify our equity ownership in Qilu as an investment stated at cost less impairment losses and the investment is subject to impairment assessments depending on Qilu operational performance, local demographic trend and the economic environment of the Shandong province.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not required.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

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

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

A. Use of Proceeds

In November 2009, we completed an offering of 3,305,786 ordinary shares at a public offering price of \$6.05 per ordinary share. In January 2010 the underwriters in the offering exercised their over allotment option in full for an additional 495,867 shares at the offering price for an aggregate of 3,801,653 shares issued in the offering. We received net proceeds from this offering of approximately \$20.5 million, after deducting underwriting discounts. The principal purposes of this offering were to increase the liquidity of the public market for our ordinary shares for the benefit of all shareholders, retain talented employees by providing them equity incentives, fund proposed capital expenditures and raise capital for general corporate purposes and potential acquisitions. As of the date of this report, we have allocated a portion of the net proceeds of the offering for acquisition and investment purposes. We currently intend to use the remaining proceeds we received from the offering for expansion into new geographical markets, including expansion through applications for new licenses and expansion through acquisitions and investments, for construction and upgrading of facilities, including purchase of equipment, in existing geographical markets, and to fund working capital and for other general corporate purposes.

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

On December 10, 2010, we completed a warrant exchange offer to simplify our capital structure, which allowed warrant holders to receive one ordinary share for every eight warrants outstanding. We issued an aggregate of 1,627,518 ordinary shares upon closing of the exchange offer, equal to approximately 2.2% of shares outstanding as of December 10, 2010, in exchange for 13,020,236 warrants. After giving effect to the warrant exchange and as of March 31, 2011, we had 75,406,875 ordinary shares issued and outstanding. Any remaining warrants outstanding that were not exercised expired on December 13, 2010.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Our management carried out an evaluation, under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act as of March 31, 2011. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Annual Report on Internal Control Over Financial Reporting.

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

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

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management assessed the effectiveness of the our internal control over the financial reporting as of March 31, 2011, using criteria established in Internal Control • Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of March 31, 2011.

Attestation Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm, KPMG, has audited the effectiveness of our Company's internal control over financial reporting as of March 31, 2011, as stated in their report which appears on pages F-3 to F-4 of this annual report on Form 20-F.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 16B. CODE OF ETHICS.

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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by KPMG, our principal external independent registered public accountant firm, for the periods indicated.

	<u>2009</u> RMB	<u>2010</u> RMB (in thousands)	<u>2011</u> RMB
Audit fees ⁽¹⁾	5,309	6,174	5,312
Audit related fees	•	•	•
Tax fees	•	53	•
Total fees	<u>5,309</u>	<u>6,227</u>	<u>5,312</u>

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

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

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

None.

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

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

On September 15, 2010, the Company announced that its Board of Directors had approved a share repurchase program in the aggregate amount of \$15 million for the period commencing with the announcement and continuing until September 14, 2011. On August 3, 2011, the Company has sought the Board of Director’s approval to extend the share repurchase program in the aggregate amount of \$15 million for 12 months and would continue until August 2, 2012. The share repurchases can be made in the open market at prevailing market prices or in block trades and will be subject to restrictions relating to volume, price and timing. The timing of purchases are determined by the Company, which bases its decisions on stock price, corporate and regulatory requirements, capital availability and other market conditions. The program does not obligate the Company to acquire any particular amount of ordinary shares and may be commenced, suspended or discontinued at any time or from time to time in the Company’s discretion without prior notice.

The following table sets forth certain information regarding the shares that the Company has repurchased during the year ended March 31, 2011:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number (or approximately Dollar Value) of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
September 2010	20,950	\$ 5.51	\$ 15,000,000	\$ 14,884,490
October 2010	288,396	\$ 5.08	\$ 15,000,000	\$ 13,418,950
April 2011	145,401	\$ 3.28	\$ 15,000,000	\$ 12,938,320
July 2011	1,597,860	\$ 3.20	\$ 15,000,000	\$ 7,825,168
September 2011 (through September 27)	25,499	\$ 2.97	\$ 15,000,000	\$ 14,924,261

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT.

Not applicable

ITEM 16G. CORPORATE GOVERNANCE

There are no material differences in the Company’s corporate governance practices from those of U.S. domestic companies under the listing standards of the NYSE.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial statements are filed as part of this annual report beginning on page F-1.

ITEM 19. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1.1	Memorandum and Articles of Association ⁽¹⁾
2.1	Specimen Certificate for Ordinary Shares ⁽¹⁾
2.2	Form of Senior Debt Securities Indenture ⁽²⁾
2.3	Form of Subordinated Debt Securities Indenture ⁽²⁾
4.1	2009 Share Option Scheme ⁽¹⁾
4.2	Form of Employment Agreement between the Registrant and senior executive officers of the Registrant ⁽¹⁾
4.3	Subscription Agreement between China Cord Blood Services Corporation and Cordlife ⁽¹⁾
4.4	The Agreement and Plan of Merger, Conversion and Share Exchange by and among Pantheon China Acquisition Corp, Pantheon Arizona Corp., China Cord Blood Services Corporation, Golden Meditech Company Limited and the selling shareholders of China Cord Blood Services Corporation ⁽¹⁾
4.5	Summary Translation of Working Capital Loan Agreement, dated as of May 11, 2011, by and between China Cord Blood Corporation and Hua Xia Bank
4.6	Promissory Note, as of June 30, 2009 ⁽¹⁾
4.7	Acquisition Agreement, dated February 24, 2010, between China Stem Cells (East) Company Limited, a subsidiary of the Registrant and Glorysun Holdings Group Limited ⁽²⁾
4.8	English translation of Framework Agreement, dated September 15, 2010 between Zhejiang Provincial Blood Center and Beijing Cord Blood Hematopoietic Stem Cells Bank, a subsidiary of the Registrant ⁽³⁾
4.9	2011 China Cord Blood Corporation Restricted Share Unit Scheme ⁽⁴⁾
4.10	Marketing Collaboration Agreement, dated as of May 18, 2011, by and between Cordlife (Hong Kong) Ltd. and China Cord Blood Corporation
8.1	List of subsidiaries
11.1	Code of Business Conduct and Ethics of the Registrant ⁽¹⁾
12.1	Certification of the Chief Executive Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
12.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
13.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of KPMG to incorporation by reference in the registration statement on Form F-3 of the Registrant (File No. 333-168873)

(1) Incorporated by reference to the registration statement on Form F-1 of the Registrant (File No. 333-161602).

(2) Incorporated by reference to the registration statement on Form F-3 of the Registrant (File No. 333-168873).

(3) Incorporated by reference to exhibit 99.2 to the report of foreign private issuer on Form 6-K, filed by the Registrant on September 15, 2010.

(4) Incorporated by reference to Appendix A of exhibit 99.1 to the report of foreign private issuer on Form 6-K, filed by the Registrant on January 18, 2011.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA CORD BLOOD CORPORATION

September 28, 2011

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
China Cord Blood Corporation

We have audited the accompanying consolidated balance sheets of China Cord Blood Corporation (the “Company”) and subsidiaries (collectively the “Group”) as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2011, all expressed in Renminbi. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Cord Blood Corporation and subsidiaries as of March 31, 2010 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1(b) to the consolidated financial statements, the Company completed a share exchange with China Cord Blood Services Corporation (“CCBS”) on June 30, 2009. The share exchange represents a reverse acquisition involving a public shell company and has been accounted for financial reporting purposes as the issuance of securities by CCBS in exchange for the assets and liabilities of the Company, accompanied by a recapitalization. The accompanying consolidated financial statements reflect CCBS’s assets and liabilities at their historical carrying amounts and the results, assets and liabilities of the Company presented in the accompanying consolidated financial statements for periods prior to the completion of the share exchange are those of CCBS.

Report of Independent Registered Public Accounting Firm (continued)

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 27, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/KPMG

Hong Kong, China

September 27, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
China Cord Blood Corporation

We have audited China Cord Blood Corporation's internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). China Cord Blood Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

Report of Independent Registered Public Accounting Firm (continued)

In our opinion, China Cord Blood Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of China Cord Blood Corporation and subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2011, and our report dated September 27, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG

Hong Kong, China

September 27, 2011

Consolidated balance sheets as of March 31, 2010 and 2011

(Amounts expressed in thousands, except per share data and number of shares)

	Note	March 31,		
		2010 RMB	2011 RMB	2011 US\$
ASSETS				
Current assets				
Cash and cash equivalents		280,835	611,387	93,366
Accounts receivable, less allowance for doubtful accounts (March 31, 2010: RMB8,016; March 31, 2011: RMB11,850 (US\$1,810))	3	61,349	77,402	11,820
Inventories	4	5,070	6,729	1,028
Prepaid expenses and other receivables	5	13,137	9,982	1,524
Deferred tax assets	19	3,443	5,373	821
Total current assets		363,834	710,873	108,559
Property, plant and equipment, net	6	250,491	250,348	38,231
Non-current prepayments	7	151,138	5,752	878
Non-current accounts receivable, less allowance for doubtful accounts (March 31, 2010: RMB9,181; March 31, 2011: RMB28,106 (US\$4,292))	3	176,874	240,952	36,796
Inventories	4	29,637	31,600	4,826
Intangible assets, net	8	26,297	134,412	20,526
Available-for-sale equity securities	9	48,475	52,733	8,053
Other investment	10	-	134,363	20,519
Deferred tax assets	19	288	2,565	392
Total assets		1,047,034	1,563,598	238,780

See accompanying notes to the consolidated financial statements.

Consolidated balance sheets
as of March 31, 2010 and 2011 (continued)
(Amounts expressed in thousands, except per share data and number of shares)

		<u>March 31,</u>		
	<i>Note</i>	<u>2010</u>	<u>2011</u>	<u>2011</u>
		RMB	RMB	US\$
LIABILITIES				
Current liabilities				
Bank loan	11	45,000	45,000	6,872
Accounts payable		5,410	5,046	771
Accrued expenses and other payables	12	22,475	106,731	16,299
Deferred revenue	13	36,074	82,319	12,571
Amounts due to related parties	22(b)	2,977	360	55
Income tax payable		<u>4,098</u>	<u>11,156</u>	<u>1,704</u>
Total current liabilities		116,034	250,612	38,272
Deferred revenue	13	93,155	162,668	24,841
Other non-current liabilities		15,978	30,036	4,587
Deferred tax liabilities	19	<u>2,259</u>	<u>26,890</u>	<u>4,107</u>
Total liabilities		<u>227,426</u>	<u>470,206</u>	<u>71,807</u>
Commitments and contingencies	26			

See accompanying notes to the consolidated financial statements.

Consolidated balance sheets
as of March 31, 2010 and 2011 (continued)
(Amounts expressed in thousands, except per share data and number of shares)

	Note	March 31,		
		2010 RMB	2011 RMB	2011 US\$
EQUITY				
China Cord Blood Corporation shareholders' equity				
Ordinary shares				
- US\$0.0001 par value, 250,000,000 shares authorized, 66,743,693 shares and 75,406,875 shares issued and outstanding as of March 31, 2010 and 2011, respectively	16(a)	46	52	8
Additional paid-in capital		719,329	910,316	139,016
Accumulated other comprehensive income/(loss)		2,221	(18,580)	(2,838)
Retained earnings		87,290	178,993	27,334
Total shareholders' equity		808,886	1,070,781	163,520
Non-controlling interests		10,722	22,611	3,453
Total equity		819,608	1,093,392	166,973
Total liabilities and equity		1,047,034	1,563,598	238,780

See accompanying notes to the consolidated financial statements.

Consolidated statements of operations
for the years ended March 31, 2009, 2010 and 2011
(Amounts expressed in thousands, except per share data)

	Note	Years ended March 31,			
		2009 RMB	2010 RMB	2011 RMB	2011 US\$
Revenues	17	194,537	261,536	339,532	51,850
Direct costs ^(a)	18	(49,171)	(65,730)	(77,376)	(11,816)
Gross profit		145,366	195,806	262,156	40,034
Operating expenses					
Research and development ^(a)	18	-	(5,816)	(6,960)	(1,063)
Sales and marketing	18	(28,868)	(39,480)	(47,583)	(7,266)
General and administrative ^(a)	18	(31,301)	(53,317)	(83,794)	(12,796)
Total operating expenses		(60,169)	(98,613)	(138,337)	(21,125)
Operating income		85,197	97,193	123,819	18,909
Other (expense)/ income, net					
Interest income		3,638	6,411	9,065	1,384
Interest expense	11	-	(2,431)	(2,606)	(398)
Foreign exchange (loss)/gain		(351)	(417)	486	74
Write-off of deferred reverse recapitalization costs	15	-	(21,566)	-	-
Write-off of deferred offering cost	15	(9,473)	-	-	-
Impairment loss on available-for-sale equity securities	9	(37,426)	-	-	-
Others		714	473	1,378	210
Total other (expense)/ income, net		(42,898)	(17,530)	8,323	1,270

See accompanying notes to the consolidated financial statements.

Consolidated statements of operations
for the years ended March 31, 2009, 2010 and 2011 (continued)
(Amounts expressed in thousands, except per share data)

	Note	Years ended March 31,			
		2009 RMB	2010 RMB	2011 RMB	2011 US\$
Income before income tax		42,299	79,663	132,142	20,179
Income tax expense	19	(17,854)	(24,770)	(33,929)	(5,181)
Net income		24,445	54,893	98,213	14,998
Income attributable to redeemable non-controlling interests		-	(347)	-	-
Income attributable to other non-controlling interests		(3,750)	(5,369)	(6,510)	(994)
Net income attributable to China Cord Blood Corporation shareholders		<u>20,695</u>	<u>49,177</u>	<u>91,703</u>	<u>14,004</u>
Net (loss)/income per share:	21				
Attributable to ordinary shares					
-Basic		(0.07)	0.82	1.31	0.20
-Diluted		<u>(0.07)</u>	<u>0.78</u>	<u>1.31</u>	<u>0.20</u>
Attributable to redeemable ordinary shares					
-Basic		1.63	0.22	-	-
-Diluted		<u>1.63</u>	<u>0.22</u>	<u>-</u>	<u>-</u>

See accompanying notes to the consolidated financial statements.

Consolidated statements of operations for the years ended March 31, 2009, 2010 and 2011 (continued)

(Amounts expressed in thousands, except per share data)

(a) Includes the following expenses resulting from transactions with related parties (see note 22(a)):

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Direct costs				
- rental expenses	(1,670)	(1,498)	(720)	(110)
Research and development expenses				
- rental expenses	-	-	(720)	(110)
General and administrative expenses				
- rental expenses	(418)	(104)	-	-
- service fee	-	(552)	-	-
	<u>-</u>	<u>(552)</u>	<u>-</u>	<u>-</u>

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity and comprehensive income for the years ended March 31, 2009, 2010 and 2011

(Amounts expressed in thousands, except number of shares)

	<u>China Cord Blood Corporation shareholders</u>								<u>Comprehensive income</u>					
	Note	Share capital No. of shares	Additional paid-in capital Amount	Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Total shareholders' equity RMB	Non- controlling interests RMB	Redeemable non- controlling interests RMB	Total equity RMB	Attributable	Attributable	Attributable	Total RMB	
										to China Cord Blood Shareholders RMB	to non- controlling interests RMB	to non- redeemable controlling interests RMB		
Balance as of April 1, 2008		43,237,100	34	140,745	(31,303)	48,282	157,758	1,531	-	159,289				
Comprehensive income														
-Net income		-	-	-	-	20,695	20,695	3,750	-	24,445	20,695	3,750	-	24,445
-Net effect of foreign currency translation adjustment, net of nil tax		-	-	-	(3,659)	-	(3,659)	123	-	(3,536)	(3,659)	123	-	(3,536)
-Net unrealized loss in available-for-sale equity securities, net of nil tax		-	-	-	-	-	-	-	-	-	-	-	-	-
-Reclassification adjustment for loss recognized in net income	9	-	-	-	37,426	-	37,426	-	-	37,426	37,426	-	-	37,426
-Net unrealized loss arising during the year	9	-	-	-	(21,783)	-	(21,783)	-	-	(21,783)	(21,783)	-	-	(21,783)
Total comprehensive income											<u>32,679</u>	<u>3,873</u>	<u>-</u>	<u>36,552</u>
Accretion to redeemable ordinary shares redemption value	14	-	-	-	-	(24,895)	(24,895)	-	-	(24,895)				
Balance as of March 31, 2009		43,237,100	34	140,745	(19,319)	44,082	165,542	5,404	-	170,946				

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity and comprehensive income for the years ended March 31, 2009, 2010 and 2011 (continued)

(Amounts expressed in thousands, except number of shares)

Note	China Cord Blood Corporation shareholders								Comprehensive income				
	Share capital No. of shares	Additional paid-in capital Amount	Accumulated other comprehensive income/(loss) RMB	Retained earnings RMB	Total shareholders' equity RMB	Non- controlling interests RMB	Redeemable non- controlling interests RMB	Total equity RMB	Attributable			Total	
									Attributable to China Cord Blood shareholders RMB	Attributable to non- controlling interests RMB	Attributable to redeemable non- controlling interests RMB		
Balance as of April 1, 2009	43,237,100	34	140,745	(19,319)	44,082	165,542	5,404	-	170,946				
Comprehensive income													
-Net income	-	-	-	-	49,177	49,177	5,369	347	54,893	49,177	5,369	347	54,893
-Net effect of foreign currency translation adjustment, net of nil tax	-	-	-	(472)	-	(472)	(51)	13	(510)	(472)	(51)	13	(510)
-Net unrealized gain in available-for-sale equity securities, net of nil tax	9	-	-	22,012	-	22,012	-	274	22,286	22,012	-	274	22,286
Total comprehensive income										<u>70,717</u>	<u>5,318</u>	<u>634</u>	<u>76,669</u>
Accretion to redeemable ordinary shares redemption value	14	-	-	-	(5,870)	(5,870)	-	-	(5,870)				
Accretion to redeemable non-controlling interests	14	-	-	-	(99)	(99)	-	99	-				
Effect of reverse recapitalization	16(a)	12,476,092	4	299,610	-	299,614	-	92,833	392,447				
Issuance of shares upon exercise of share options	16(a)	3,573,314	3	39,741	-	39,744	-	-	39,744				
Effect of share exchange with redeemable non- controlling interests	16(a)	3,506,136	2	93,564	-	93,566	-	(93,566)	-				
Issuance of shares upon public offering	16(a)	3,305,786	2	120,514	-	120,516	-	-	120,516				
Issuance of shares upon conversion of promissory note	16(a)	84,298	-	3,509	-	3,509	-	-	3,509				
Issuance of shares upon exercise of overallotment options	16(a)	495,867	1	19,408	-	19,409	-	-	19,409				
Issuance of shares upon exercise of warrants	16(a)	65,100	-	2,238	-	2,238	-	-	2,238				
Balance as of March 31, 2010	66,743,693	46	719,329	2,221	87,290	808,886	10,722	-	819,608				

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity and comprehensive income for the years ended March 31, 2009, 2010 and 2011 (continued)

(Amounts expressed in thousands, except number of shares)

	China Cord Blood Corporation shareholders								Comprehensive income				
	Note	Share capital	Additional paid-in capital	Accumulated	Retained earnings	Total shareholders' equity	Non- controlling interests	Redeemable non- controlling interests	Attributable			Total	
		No. of shares		Other comprehensive income/(loss)					Total Cord Blood Corporation shareholders equity	to China Cord Blood shareholders	Attributable to non- controlling interests		RMB
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
Balance as of April 1, 2010		66,743,693	46	719,329	2,221	87,290	808,886	10,722	-	819,608			
Comprehensive income													
-Net income		-	-	-	-	91,703	91,703	6,510	-	98,213	91,703	6,510	98,213
-Net effect of foreign currency translation adjustment, net of nil tax		-	-	-	(13,053)	-	(13,053)	379	-	(12,674)	(13,053)	379	(12,674)
-Net unrealized loss in available-for-sale equity securities, net of nil tax	9	-	-	-	(7,748)	-	(7,748)	-	-	(7,748)	(7,748)	-	(7,748)
Total comprehensive income											70,902	6,889	77,791
Total comprehensive income – US\$											10,828	1,052	11,880
Issuance of shares upon exercise of warrants	16(a)	345,010	-	11,785	-	-	11,785	-	-	11,785			
Repurchase of shares	16(a)	(309,346)	-	(10,653)	-	-	(10,653)	-	-	(10,653)			
Issuance of shares upon public offering	16(a)	7,000,000	5	189,856	-	-	189,861	-	-	189,861			
Issuance of shares upon warrant exchange	16(a)	1,627,518	1	(1)	-	-	-	-	-	-			
Contribution from non-controlling interests	1(b)	-	-	-	-	-	-	5,000	-	5,000			
Balance as of March 31, 2011		75,406,875	52	910,316	(18,580)	178,993	1,070,781	22,611	-	1,093,392			
Balance as of March 31, 2011 - US\$			8	139,016	(2,838)	27,334	163,520	3,453	-	166,973			

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows
for the years ended March 31, 2009, 2010 and 2011
(Amounts expressed in thousands)

	Note	Years ended March 31,			
		2009 RMB	2010 RMB	2011 RMB	2011 US\$
Cash flow from operating activities					
Net income		24,445	54,893	98,213	14,998
Adjustments to reconcile net income to net cash provided by operating activities:					
Loss/(gain) on disposal of property, plant and equipment		52	851	(12)	(2)
Depreciation of property, plant and equipment	18	7,575	19,460	22,091	3,374
Amortization of intangible assets	8	971	971	1,384	211
Deferred income taxes	19	(1,671)	(3,643)	(6,951)	(1,061)
Provision for doubtful accounts	3	6,835	8,805	25,018	3,821
Write-off of deferred reverse recapitalization costs	15	-	21,566	-	-
Write-off of deferred offering cost	15	9,473	-	-	-
Impairment loss on available-for-sale equity securities	9	37,426	-	-	-
Gain on structured deposit		(355)	-	-	-
Changes in operating assets and liabilities:					
Non-current prepayments		2,136	3,622	3,474	531
Accounts receivable		(99,642)	(105,504)	(105,149)	(16,057)
Inventories		816	(2,137)	(3,622)	(553)
Prepaid expenses and other receivables		(249)	(3,217)	2,960	452
Accounts payable		1,432	282	(364)	(56)
Accrued expenses and other payables		7,005	1,205	5,286	807
Deferred revenue		5,645	36,647	115,758	17,678
Other non-current liabilities		(172)	2,427	14,058	2,147
Amounts due to related parties		-	360	(2,617)	(401)
Income tax payable		2,329	(223)	7,058	1,078
Net cash provided by operating activities		4,051	36,365	176,585	26,967

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows
for the years ended March 31, 2009, 2010 and 2011 (continued)
(Amounts expressed in thousands)

Note	Years ended March 31,				
	2009 RMB	2010 RMB	2011 RMB	2011 US\$	
Cash flow from investing activities					
Purchase of property, plant and equipment		(43,156)	(16,835)	(20,337)	(3,105)
Deposit for acquisition of property, plant and equipment		(13,415)	(1,770)	(420)	(64)
Investment deposit	7	-	(140,317)	-	-
Proceeds from disposal of property, plant and equipment		34	73	88	13
Investment in available-for-sale equity securities	9	(11,172)	-	(13,245)	(2,023)
Proceeds from redemption of structured deposit		33,265	-	-	-
Net cash used in investing activities		(34,444)	(158,849)	(33,914)	(5,179)
Cash flow from financing activities					
Repayment of bank loan		-	-	(45,000)	(6,872)
Proceeds from bank loan		-	45,000	45,000	6,872
Proceeds from issuance of shares upon exercise of share options	16(a)	-	39,744	-	-
Proceeds from issuance of shares upon public offering	16(a)	-	137,623	211,007	32,223
Proceeds from issuance of shares upon exercise of overallotment options	16(a)	-	20,627	-	-
Proceeds from issuance of shares upon exercise of warrants	16(a)	-	2,238	11,785	1,800
Payment of offering and reverse recapitalization costs		(35,276)	(4,804)	(19,053)	(2,910)
Payment for repurchase of shares	16(d)	-	-	(10,653)	(1,627)
Cash inflow from reverse recapitalization		-	1,965	-	-
Contribution from non-controlling interests		-	-	55	8
Net cash (used in)/provided by financing activities		(35,276)	242,393	193,141	29,494
Effect of foreign currency exchange rate change on cash		(1,712)	(480)	(5,260)	(803)
Net (decrease)/increase in cash and cash equivalents		(67,381)	119,429	330,552	50,479
Cash and cash equivalents:					
At beginning of year		228,787	161,406	280,835	42,887
At end of year		161,406	280,835	611,387	93,366
Supplemental disclosures of cash flow information:					
Cash paid during the year for income taxes		17,196	28,636	33,822	5,165
Interest paid		-	2,395	2,643	404

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(Amounts expressed in thousands, except per share data and number of shares)

1 Principal activities, reorganization and reverse recapitalization, and basis of presentation

(a) *Principal activities*

China Cord Blood Corporation (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the provision of umbilical cord blood storage and ancillary services in its cord blood banks in the People’s Republic of China (“PRC”). As of March 31, 2011, the Group had two operating cord blood banks in the Beijing municipality and the Guangdong province, the PRC. In February 2011, the Group acquired the right to operate the exclusive cord blood bank in the Zhejiang Province, the PRC. The Company’s shares are listed on the New York Stock Exchange.

The Group provides cord blood testing, processing and storage services under the direction of subscribers for a cord blood processing fee and a storage fee. The Group also tests, processes and stores donated cord blood, and provides matching services to the public for a fee.

The operation of cord blood banks in the PRC is regulated by certain laws and regulations. Cord blood banks in the PRC are required to possess a Blood Station Operation License. The licensing process for a cord blood bank is stringent and lengthy. The Ministry of Health of the PRC and the local Departments of Health have granted Blood Station Operation Licenses to cord blood banks that provide cord blood banking services. Cord blood banks collecting cord blood units from donors and providing matching cord blood units to the public without a duly obtained Blood Station Operation License face the risk of being shut down by the government. Seven cord blood banking licenses have been issued by the authorities as of March 31, 2011, of which the Company holds three. Due to the lack of a consistent and well-developed regulatory framework, operation in the cord blood banking industry in the PRC involves significant ambiguities, uncertainties and risks. The industry is highly regulated and any unilateral changes in regulations by the authorities may have a significant adverse impact on the Group’s results of operations.

(b) *Reorganization and reverse recapitalization*

The Company was previously named Pantheon China Acquisition Corp. (“Pantheon”) and was a blank check company whose objective was to acquire, through a stock exchange, asset acquisition or other similar business combination, an operating business that has its principal operations located in the PRC, or control such operating business through contractual arrangements.

1 Principal activities, reorganization and reverse recapitalization, and basis of presentation (continued)

(b) *Reorganization and reverse recapitalization (continued)*

On November 3, 2008, China Cord Blood Services Corporation (“CCBS”) and its shareholders executed a Share Exchange Agreement with the Company. Pursuant to the Share Exchange Agreement, shareholders of CCBS were entitled to exchange their shares in CCBS for up to 57,851,240 shares of common stock of the Company. Shareholders holding 100% and 76% of CCBS’s ordinary shares and redeemable ordinary shares (collectively the “Participating Shareholders”), respectively, executed the Share Exchange Agreement and agreed to sell their 93.94% equity interests in CCBS to the Company for a consideration of US\$328,790 in exchange for 54,345,104 shares of common stock of the Company (valued at US\$6.05 per share of common stock) (“the Share Exchange”).

The Share Exchange was approved at the Company’s special meeting of shareholders held on June 29, 2009 and was completed on June 30, 2009. Upon completion of the Share Exchange, the Company was renamed China Cord Blood Corporation and the Company was redomiciled to the Cayman Islands.

The 54,345,104 shares of common stock of the Company held by the Participating Shareholders represent 91.7% of the then outstanding shares of the Company upon completion of the Share Exchange. Further, management of CCBS continued as the majority of the senior management of the Company upon completion of the Share Exchange. CCBS was therefore treated as the accounting acquirer in the Share Exchange. Prior to the Share Exchange, the Company did not operate a business. The Share Exchange was thus accounted for as the issuance of securities by CCBS in exchange for the assets and liabilities of Pantheon, accompanied by a recapitalization to utilize the share structure of Pantheon as the legal acquirer. Accordingly, the accompanying consolidated financial statements reflect CCBS’s assets and liabilities at their historical carrying amounts and the results, assets and liabilities of the Company presented for periods prior to the Share Exchange are those of CCBS.

In August 2009, the Company entered into agreements to exchange 3,506,136 of its newly issued ordinary shares for the remaining 24% of redeemable shares of CCBS held by shareholders who previously elected not to participate in the Share Exchange (“Non-Participating Shareholders”), on terms substantially similar to those of the Share Exchange. Upon the completion of such exchange, all the remaining redeemable ordinary shares of CCBS converted into ordinary shares of the Company, which carry no redemption rights, and CCBS became a wholly owned subsidiary of the Company.

1 Principal activities, reorganization and reverse recapitalization, and basis of presentation (continued)

(b) *Reorganization and reverse recapitalization (continued)*

CCBS was incorporated in the Cayman Islands in January 2008 under the Cayman Islands Companies Law as an exempted company with limited liability. CCBS was incorporated as part of the reorganization of China Stem Cells Holdings Limited (“CSC Holdings”), which has two main operating subsidiaries in the PRC, Beijing Jiachenhong Biological Technologies Co., Limited (“Beijing Jiachenhong”) and Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd (“Guangzhou Nuoya”).

Beijing Jiachenhong was established under the laws of the PRC in June 2001 as a domestic limited liability company. It became a Sino-Foreign Investment Enterprise in September 2003 and became a Wholly Foreign Owned Enterprise (“WFOE”) in March 2005. Beijing Jiachenhong is engaged in the provision of umbilical cord blood storage and ancillary services in the Beijing municipality.

In May 2007, China Stem Cells (South) Company Limited, a 90% subsidiary of the Group, acquired the entire equity interest of Guangzhou Nuoya for consideration of RMB30,949. Guangzhou Nuoya was established under the laws of the PRC in June 1997 as a domestic limited liability company. It became a WFOE in May 2007. Guangzhou Nuoya has been granted the right to operate cord blood banks in the Guangdong province, the PRC.

In December 2010, a non-wholly owned subsidiary, Zhejiang Lukou Biotechnology Co., Ltd. (“Zhejiang Lukou”), was established. The Group holds a 90% equity interest in Zhejiang Lukou through capital injection of RMB45,000, while the non-controlling shareholders contributed plant and equipment with fair value of RMB5,000 in return for the remaining 10% equity interests. On February 18, 2010, the Group acquired the right to operate the cord blood bank in the Zhejiang Province, the PRC, from a third party at a consideration of RMB82,124 (Note 8). Zhejiang Lukou has then been granted such right to operate cord blood banks in the Zhejiang Province. As at March 31, 2011, Zhejiang Lukou has not yet commenced its cord blood banking business.

(c) *Basis of presentation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). This basis of accounting differs in certain material respects from that used for the preparation of the statutory books of the Company’s consolidated subsidiaries, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable in the place of domicile of the respective entities in the Group. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the statutory books of account of the Company’s consolidated subsidiaries to present them in conformity with U.S. GAAP.

2 Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Foreign currency transactions

The functional currency of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou is Renminbi (“RMB”) and that of the Company is United States dollars (“US\$”). The functional currencies of subsidiaries of the Group outside the PRC are either US\$ or Hong Kong dollars. The reporting currency of the Company is RMB.

Transactions of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People’s Bank of China (the “PBOC”) prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet dates. The resulting exchange differences are recorded in the consolidated statements of operations.

Transactions of the Company and subsidiaries outside the PRC denominated in currencies other than their functional currencies are translated into their functional currencies at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into their functional currencies using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the consolidated statements of operations.

Assets and liabilities of the Company and subsidiaries outside the PRC are translated into RMB using the exchange rate at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. The gains and losses resulting from translation of financial statements of the Company and subsidiaries outside the PRC are recorded as a separate component of accumulated other comprehensive income/(loss) within shareholders’ equity.

2 Summary of significant accounting policies (continued)

(b) Foreign currency transactions (continued)

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the PBOC or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC, which are determined largely by supply and demand.

For the convenience of the readers, certain amounts as of and for the year ended March 31, 2011 included in the accompanying consolidated financial statements have been translated into U.S. dollars at the rate of US\$1.00 = RMB6.5483, being the spot exchange rate of U.S. dollars in effect on March 31, 2011 for cable transfers in RMB per U.S. dollar as certified for customs purposes by the Federal Reserve, the central bank of the United States of America. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at that rate or at any other rate on March 31, 2011 or at any other date.

(c) Use of estimates

The preparation of the consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These include the establishment of the fair value of the undelivered deliverables in revenue arrangements with multiple deliverables, and the estimation of direct costs for the provision of donated cord blood for transplantation and research. Other significant items subject to estimates and assumptions include the carrying amount of property, plant and equipment, intangible assets and investment securities, valuation allowances for receivables, inventories and deferred income tax assets.

(d) Cash and cash equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents of the Group are mainly maintained in the PRC and are concentrated in a few currencies. As of March 31, 2010 and 2011, cash and cash equivalents maintained in the PRC amounted to RMB177,799 and RMB500,877 (US\$76,490), respectively. A majority of the Group's cash and cash equivalents are denominated in U.S. dollars, Australian dollars, Renminbi and Hong Kong dollars as follows:

	<i>March 31,</i>	
	<i>2010</i>	<i>2011</i>
U.S. dollars	5,559	12,571
Australian dollars	229	506
Renminbi	177,795	498,781
Hong Kong dollars	<u>72,031</u>	<u>31,555</u>

2 Summary of significant accounting policies (continued)

(e) *Investment securities*

Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates such designations at each reporting date.

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. Where the fair value of an investment is not readily determinable, the investment is stated at cost.

A decline in the market value of any investment securities that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Dividend income is recognized in other income when earned.

(f) *Accounts receivable*

Accounts receivable represent amounts due from subscribers for cord blood processing and storage services, which are recognized in accordance with the Company's revenue recognition policies (Note 2(k)). Installments receivable from subscribers which are due for repayment in over one year under deferred payment options are classified as non-current accounts receivable. Accounts receivable are stated net of allowance for doubtful accounts.

The allowance for doubtful accounts is the Group's best estimate of the amount of estimated losses in the Group's existing accounts receivable. The Group determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

2 Summary of significant accounting policies (continued)

(f) *Accounts receivable (continued)*

The Group reviews its allowances for doubtful accounts quarterly. Outstanding account balances are reviewed on a pooled basis by ageing of such balances. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group's PRC subsidiaries are required to comply with local tax requirements on the write-offs of doubtful accounts, which allow for such write-offs only when the related account balances are aged over three years and sufficient evidence is available to prove the debtor's inability to make payments. For financial reporting purposes, the Group's PRC subsidiaries generally record write-offs of doubtful accounts at the same time the local tax requirements for the write-offs are met. As a result, there are generally time lags between the time when a provision for doubtful accounts is recorded and the time the doubtful accounts are written off against the related allowance. The Group does not have any off-balance-sheet credit exposure related to its customers.

(g) *Inventories*

The Group collects, tests, freezes and stores donated umbilical cord blood for future transplantation or research purposes in return for a fee. Collection, testing and processing costs attributable to the processing of donated umbilical cord blood are capitalized as inventories, stated at the lower of cost or market on a weighted-average basis, and recognized as direct costs when revenue is recognized upon shipment of the donated cord blood units. Cost comprises direct materials, direct labor and an allocation of production overheads. Such inventories are not expected to be realized within 12 months from the balance sheet date and are classified as non-current assets.

(h) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation on property, plant and equipment is calculated based on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

– Buildings	Shorter of the lease term or estimated useful lives
– Leasehold improvements	Shorter of the lease term or estimated useful lives
– Machineries	5 - 10 years
– Motor vehicles	5 years
– Furniture, fixtures and equipment	5 years

No depreciation is provided in respect of construction-in-progress.

2 Summary of significant accounting policies (continued)

(h) *Property, plant and equipment (continued)*

Interest expense incurred related to the construction of property, plant and equipment is capitalized. The capitalization of interest expense as part of the cost of a qualifying asset commences when expenditures for the asset have been made, activities that are necessary to get the asset ready for its intended use are in progress and interest cost is being incurred. The capitalization period ends when the asset is substantially complete and ready for its intended use.

The Company did not capitalize any interest costs for the years ended March 31, 2009, 2010 and 2011.

Depreciation of property, plant and equipment attributable to the processing of donated umbilical cord blood for future transplantation is capitalized as part of inventory, and expensed to direct costs upon shipment of the donated cord blood units.

(i) *Intangible assets*

The operating rights are stated at the estimated fair value or assigned value on the date of acquisition less accumulated amortization. Where payment for an operating right is non-deductible for tax purpose, the simultaneous equations method is used to record the assigned value of the asset and the related deferred tax liability, such that the carrying amount of the asset upon initial recognition less deferred tax liability recognized equals the amount payable for the asset. Amortization expenses are recognized on a straight-line basis over the estimated useful life of the operating rights of 30 years.

Given the environment in which the Group currently operates, it is reasonably possible that the estimated economic useful life of the assets or the Group's estimate that it will recover its carrying amount from future operations could change in the future.

(j) *Impairment of long-lived assets*

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Fair value is measured by the asset's discounted cash flows or market value, if readily determinable.

2 Summary of significant accounting policies (continued)

(k) Revenue recognition

The Group receives fees for collecting, testing, freezing and storing of cord blood units. Once the cord blood units are collected, tested, screened and successfully meet all of the required attributes, the Company freezes the units and stores them in a cryogenic freezer. Under cord blood processing and storage agreements signed with subscribers, the Group charges separate processing fees and storage fees to subscribers and such agreements typically provide for a storage period of eighteen years represented by successive one-year renewal periods.

When evaluating multiple element arrangements, being cord blood processing services and storage services, the Group considers whether the components of the arrangement represent separate units of accounting as defined in Accounting Standards Codification (“ASC”) 605-25, *Revenue Recognition: Multiple-Element Arrangements*, which requires the following criteria to be met for an element to represent a separate unit of accounting:

- (i) The delivered items have value to a customer on a standalone basis;
- (ii) There is objective and reliable evidence of the fair value of the undelivered items; and
- (iii) If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is probable and within the control of the vendor.

Pursuant to the cord blood processing and storage agreement, no penalty is charged to subscribers for early termination of the storage.

The Group believes the annual election by the subscriber to renew the contract for storage services represents a substantive renewal option which establishes vendor-specific objective evidence of fair value of the “undelivered” storage services. The Group has also commenced the provision of standalone cord blood storage services for cord blood units transferred from other cord blood banks. The annual storage fee charged under such contracts is the same as the renewal fee that the Group offers to its existing subscribers. As the cord blood processing services have value to subscribers on a standalone basis, the criteria for processing services to represent a separate unit of accounting under ASC 605-25 are met. Upon successful completion of processing services and that the cord blood unit meets all the required attributes for storage, the Group recognizes processing fees as revenue. The total arrangement consideration is allocated between processing fees and storage fees using the residual method.

2 Summary of significant accounting policies (continued)

(k) Revenue recognition (continued)

During the three years ended March 31, 2009, 2010 and 2011, the Group offered its subscribers three payment options:

- (i) Payment of the processing fee of RMB5 upon delivery of the cord blood unit to the Group's premises for processing and the annual storage fee of RMB0.5 in advance at the beginning of each one-year renewal period;
- (ii) Payment of the processing fee of RMB5 upon delivery of the cord blood unit to the Group's premises for processing and prepayment of storage fees for multiple periods; and
- (iii) Payment of the processing fee by installment over a period of 18 years and the annual storage fee of RMB0.5 in advance at the beginning of each one-year renewal period. The installment option includes an initial processing fee payment of RMB1.1 upon delivery of the cord blood unit to the Group's premises for processing and an incremental annual payment of RMB0.3 for a period of 17 years, representing a surcharge of RMB1.2 to the total amount of processing fees payable under payment options (i) and (ii).

Under payment options (i) and (iii), cord blood storage fees for subsequent one-year renewal periods are recognized as revenue ratably over the annual storage period.

Under payment option (iii), installments due for payment beyond one year are classified as non-current accounts receivable. The incremental processing fee of RMB1.2 payable by customers under the installment plan is recognized as interest income using the effective interest method.

The Group ceases to recognize storage revenue from subscribers who are delinquent beyond 18 months as the Group believes that collectability of future storage fees from such subscribers is not reasonably assured.

The Group also stores umbilical cord blood donated by the public, and charges a matching fee when a cord blood unit is delivered to patients in need of transplants or for research purposes. The matching fee represents consideration for successful identification and retrieval of a matching cord blood unit suitable for transplantation or research purposes. The Group recognizes the matching fee when the cord blood unit is delivered and risk of loss is transferred to the recipient. The Group estimates the average number of cord blood units out of which one unit of cord blood will be matched over the period during which the cord blood units will remain active. Cost of that number of cord blood units is charged as direct cost upon the delivery of a cord blood unit for transplantation or research purposes.

In the PRC, business tax at a general rate of 5% on the invoice amount is collected on behalf of tax authorities in respect of the services rendered. Revenue is stated net of business tax.

2 Summary of significant accounting policies (continued)

(l) *Research and development costs*

Research and development costs are incurred for research activities conducted to enhance operating efficiencies, collection and storage technologies, and measures to improve the results in umbilical cord blood stem cells extraction and separation. They also include research expenses on the use of cord blood stem cells in different medical treatments and are expensed as incurred.

(m) *Retirement and other postretirement benefits*

Contributions to retirement schemes (which are defined contribution plans) are charged to the consolidated statements of operations as and when the related employee service is provided.

(n) *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

The Group recognizes in the consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of operations.

(o) *Advertising and promotion costs*

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs included in sales and marketing expenses amounted to RMB6,440, RMB9,520 and RMB10,590 (US\$1,617) for the years ended March 31, 2009, 2010 and 2011, respectively.

2 Summary of significant accounting policies (continued)

(p) *Commitments and contingencies*

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, including among others, product liability. The Group records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. The Group may consider many factors in making these assessments including past history and the specifics of each matter. As the Group has not become aware of any product liability claim since operations commenced, the Group has not recognized a liability for product liability claims.

(q) *Earnings per share*

For the year ended March 31, 2011, basic earnings per ordinary share is computed by dividing net income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding. For the years ended March 31, 2009 and March 31, 2010, basic earnings per ordinary share was computed by dividing net income attributable to ordinary shareholders after adjusting for the accretion to redemption value of redeemable non-controlling interests by the weighted-average number of ordinary shares outstanding using the two-class method. Under the two-class method, net income was allocated between ordinary shares and redeemable ordinary shares of the Company for the period presented based on participating rights in undistributed earnings. Increases in the carrying amount of redeemable ordinary shares were reflected as earnings to holders of redeemable ordinary shares.

Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders by the weighted-average number of ordinary and dilutive potential ordinary shares outstanding during the year.

(r) *Share option plan*

ASC 718, *Compensation - Stock Compensation* requires that all share-based compensation be recognized as an expense in the consolidated financial statements and that such cost be measured at the fair value of the award. Compensation expense is recognized based on the estimated grant-date fair value using the Black-Scholes option-pricing model. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the same as the vesting period.

2 Summary of significant accounting policies (continued)

(r) *Share option plan (continued)*

The service inception date is the date at which the requisite service period begins. The service inception date usually is the grant date, but the service inception date precedes the grant date if (a) an award is authorized, (b) service begins before a mutual understanding of the key terms and conditions of a share-based payment award is reached, and (c) either of the following conditions applies: (1) the award's terms do not include a substantive future requisite service condition that exists at the grant date or (2) the award contains a market or performance condition that is not satisfied during the service period preceding the grant date and following the inception of the arrangement results in forfeiture of the award. For the purpose of determining the service inception date, authorization of an award is the date on which all approval requirements are completed unless approval is perfunctory.

(s) *Segment reporting*

The Group has one operating segment, as defined by ASC 280, *Segment Reporting*. All of the Group's operations and customers are located in the PRC. Consequently, no geographic information is presented.

(t) *Recently issued accounting standards*

(i) ASC 605-25

In September 2009, the Financial Accounting Standards Board ("FASB") ratified the new guidance on revenue recognition for multiple-element arrangements (currently codified in ASC 605-25, *Revenue Recognition - Multiple-Element Arrangements*), which addresses the criteria for separating consideration in multiple-element arrangements. The new guidance requires an entity to allocate the overall consideration to each deliverable based on estimated selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price for the deliverables. The new guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and is generally applied on a prospective basis although earlier application is permitted as of the beginning of a fiscal year or to prior years. The Company will adopt the new guidance in its fiscal year beginning April 1, 2011 and management does not expect the adoption of this to have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

(t) *Recently issued accounting standards (continued)*

(ii) ASC 855

In May 2009, the FASB updated the guidance about subsequent events (currently codified in ASC 855-10, *Subsequent Events*), which establishes principles and requirements for subsequent events. In particular, ASC 855-10-25-1A sets forth the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This updated guidance is effective for interim or annual financial periods ended after June 15, 2009. The adoption of ASC 855-10-25-1A did not have a material impact on the Company's consolidated financial statements. In February 2010, the FASB amended ASC 855-10-50. Further to the amendment, an SEC filer is not required to disclose the date through which subsequent events have been evaluated. The amendment is effective for interim or annual periods ending after June 15, 2010. The Company has applied this new guidance in its fiscal year beginning April 1, 2010.

(iii) Accounting Standards Update ("ASU") 2010-06

In January 2010, the FASB amended the guidance on fair value disclosure requirements (currently codified in ASC 820-10, *Fair Value Measurements and Disclosures*), which requires additional disclosures for transfers in and out of Levels I and II and for activity in Level III. The guidance is effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. ASU 2010-06 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. The Company adopted the new guidance in its fiscal year beginning April 1, 2010 but the adoption of this did not have a material impact on its consolidated financial statements.

3 Accounts receivable, net

(a) *Accounts receivable consist of the following:*

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	US\$
Accounts receivable	255,420	358,310	54,718
Less: Allowance for doubtful accounts	<u>(17,197)</u>	<u>(39,956)</u>	<u>(6,102)</u>
	<u>238,223</u>	<u>318,354</u>	<u>48,616</u>
Representing:			
Current portion:			
– processing fees	48,057	60,550	9,247
– storage fees	12,452	15,861	2,422
– others	<u>840</u>	<u>991</u>	<u>151</u>
	61,349	77,402	11,820
Non-current portion:			
– processing fees	<u>176,874</u>	<u>240,952</u>	<u>36,796</u>
	<u>238,223</u>	<u>318,354</u>	<u>48,616</u>

The Group offers payment terms to its customers under which they are allowed to make deferred payment of cord blood processing fees in annual installments over eighteen years or earlier in the event that storage services are not renewed. Installments due for payment beyond one year are classified as non-current accounts receivable. Any incremental fees paid by customers under the installment plan are recognized as interest income using the effective interest method.

The Group has been continuously monitoring the recoverability of the accounts receivable, the credit quality of such receivables, the effectiveness and the efficiency of the said collection efforts. During the year ended March 31, 2011, the Group sold RMB11,998 (US\$1,832) of its accounts receivable to a third party for a consideration of RMB10,006 (US\$1,528), satisfied in cash. Pursuant to the agreement, the receivables were transferred without recourse. The sale of the receivables was accounted for under ASC 860, *Transfers and Servicing*. Under that guidance, receivables are considered sold when they are legally isolated from the Company and its creditors even in the event of bankruptcy or other receivership, the purchaser has the unconstrained right to pledge or exchange the receivables, and the Company has surrendered control over the transferred receivables.

3 Accounts receivable, net (continued)

Non-current accounts receivable as of March 31, 2011 are due for payment as follows:

Fiscal years ending March 31,	March 31, 2011	
	RMB	US\$
2013	23,485	3,586
2014	23,485	3,586
2015	23,485	3,586
2016	23,485	3,586
2017 and thereafter	<u>147,012</u>	<u>22,452</u>
	<u>240,952</u>	<u>36,796</u>

(b) *An analysis of the allowance for doubtful accounts is as follows:*

	Years ended March 31,			
	2009 RMB	2010 RMB	2011 RMB	2011 US\$
Balance at beginning of year	1,557	8,392	17,197	2,626
Charged to provisions for doubtful accounts	6,835	8,805	25,018	3,821
Write-off charged against the allowance for the year	<u>-</u>	<u>-</u>	<u>(2,259)</u>	<u>(345)</u>
Balance at end of year	<u>8,392</u>	<u>17,197</u>	<u>39,956</u>	<u>6,102</u>

4 Inventories

Inventories consist of the following:

	March 31,		
	2010 RMB	2011 RMB	2011 US\$
Consumables and supplies	5,070	6,729	1,028
Donated umbilical cord blood processing costs	<u>29,637</u>	<u>31,600</u>	<u>4,826</u>
	<u>34,707</u>	<u>38,329</u>	<u>5,854</u>

4 Inventories (continued)

Collection, testing and processing costs attributable to the processing of donated umbilical cord blood are capitalized as inventories. Management assesses the recoverability of such inventories with reference to future projections of matching fees, number of donated cord blood units of the Group, demand for cord blood units for transplantation and research purposes, and the probability of finding a match in light of the number of units held. Based on such assessments, the management considers that the cord blood processing costs capitalized are recoverable and no provision for inventories has been made as of March 31, 2010 and 2011.

5 Prepaid expenses and other receivables

Prepaid expenses and other receivables consist of the following:

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	US\$
Prepaid expenses	9,149	8,823	1,347
Interest receivable	1,168	3	1
Other receivables	<u>2,820</u>	<u>1,156</u>	<u>176</u>
	<u>13,137</u>	<u>9,982</u>	<u>1,524</u>

6 Property, plant and equipment, net

Property, plant and equipment consist of the following:

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	US\$
Buildings	150,181	150,181	22,935
Leasehold improvements	42,103	42,715	6,523
Machineries	48,382	68,167	10,410
Motor vehicles	4,703	6,071	927
Furniture, fixtures and equipment	19,981	23,098	3,527
Construction-in-progress	<u>24,018</u>	<u>20,874</u>	<u>3,187</u>
	289,368	311,106	47,509
Less: Accumulated depreciation	<u>(38,877)</u>	<u>(60,758)</u>	<u>(9,278)</u>
	<u>250,491</u>	<u>250,348</u>	<u>38,231</u>

6 Property, plant and equipment, net (continued)

Leasehold improvements are depreciated over the shorter of the term of the related lease and 10 years.

Construction-in-progress represents capital expenditure in respect of the construction of cord blood storage facilities.

7 Non-current prepayments

Included in non-current prepayments as of March 31, 2010 are prepaid property rentals of RMB8,839, deposits for purchases of plant and equipment of RMB1,982 and deposits of RMB140,317 for an investment in a company which operates a cord blood bank in the Shandong province, the PRC.

Included in non-current prepayments as of March 31, 2011 are prepaid property rentals of RMB5,151 (US\$786) and deposits for purchases of plant and equipment of RMB601 (US\$92).

8 Intangible assets, net

	<i>March 31,</i>		
	<u>2010</u>	<u>2011</u>	<u>2011</u>
	RMB	RMB	US\$
Cord blood bank operating rights	29,129	138,628	21,169
Less: Accumulated amortization	<u>(2,832)</u>	<u>(4,216)</u>	<u>(643)</u>
	<u>26,297</u>	<u>134,412</u>	<u>20,526</u>

Intangible assets represent the cord blood bank operating rights in the Guangdong province and the Zhejiang province, the PRC. The cord blood bank operating right in the Guangdong Province was acquired through the acquisition of Guangzhou Nuoya in May 2007. Amortization expenses are recognized on a straight-line basis over the estimated useful life of 30 years. Amortization of the operating right in the Guangdong Province was RMB971, RMB971 and RMB971 (US\$148) for the years ended March 31, 2009, 2010 and 2011, respectively. The operating right is subject to renewal and the next renewal is due in May 2012.

8 Intangible assets, net (continued)

On February 18, 2011, the Group acquired the right to operate the cord blood bank in the Zhejiang province from a third party for cash consideration of RMB82,124. Payment for the operating right is non-deductible for tax purpose, and the simultaneous equations method is used to record the assigned value of the asset of RMB109,499 and a related deferred tax liability of RMB27,375 (Note 19(c)), in accordance with the guidance in ASC 740-10-25-51, such that the carrying amount of the asset upon initial recognition less the related deferred tax liability equals cash consideration payable. Amortization expenses of the operating right in the Zhejiang Province are recognized on a straight-line basis over the estimated useful life of 30 years. Amortization of operating right was RMB413 (US\$63) for the year ended March 31, 2011. The operating right is subject to renewal and the next renewal is due in September 2013. Consideration for the acquisition of the operating right has been subsequently settled in August 2011.

Estimated amortization expenses for the next five years are:

Fiscal years ending March 31,	March 31, 2011	
	RMB	US\$
2012	4,621	705
2013	4,621	705
2014	4,621	705
2015	4,621	705
2016 and thereafter	<u>115,928</u>	<u>17,706</u>
Total amortization	<u>134,412</u>	<u>20,526</u>

9 Available-for-sale equity securities

	March 31,		
	2010 RMB	2011 RMB	2011 US\$
Listed equity securities, at market	<u>48,475</u>	<u>52,733</u>	<u>8,053</u>

The Group acquired 11,730,000 ordinary shares of Cordlife Limited at a total cost of RMB53,699 during the fiscal year ended March 31, 2008. Cordlife Limited is a provider of cord blood banking services with operations in Singapore, Hong Kong, India, Indonesia and the Philippines, and is listed on the Australian Securities Exchange Limited.

9 Available-for-sale equity securities (continued)

During the year ended March 31, 2009, the Group acquired an additional 5,795,000 ordinary shares of Cordlife Limited at a total cost of RMB11,172, satisfied in cash. The acquisition of additional ordinary shares led to an increase in the Group's equity interest in Cordlife Limited from 12.9% as of March 31, 2008 to 18.9% as of March 31, 2009. The Group's equity interest in Cordlife Limited was diluted to 16.3% as of March 31, 2010 due to the issuance of additional shares by Cordlife Limited during the year ended March 31, 2010.

On June 4, 2010, the Company announced the proposed underwriting of a renounceable rights issue offered by Cordlife Limited which was subject to approval by the shareholders of Cordlife Limited in the extraordinary general meeting to be held on July 9, 2010. Under the underwriting agreement, the Company was obliged to underwrite the entire rights issue and will subscribe for any share shortfall if the existing shareholders of Cordlife Limited fail to exercise their rights. On July 4, 2010, the Company and Cordlife Limited terminated the underwriting agreement and the Company was released from such obligation but continued to participate in the rights issue on a pro-rata basis. The rights issue was completed on July 26, 2010 and the Company subscribed for 6,841,666 shares of Cordlife Limited at a total cost of RMB13,245 (US\$2,023), satisfied in cash.

As of March 31, 2011, the Group held 24,366,666 ordinary shares of Cordlife Limited, representing a 16.8% equity interest.

The market value of the Group's investment in Cordlife Limited had declined during the year ended March 31, 2008 and the nine months ended December 31, 2008, resulting in an unrealized holding loss of RMB37,426. The Group assesses whether impairment losses are other-than-temporary quarterly. Having considered the significance of the accumulated decline in the fair value of the ordinary shares of Cordlife Limited, the period of time during which market value of the shares had been below cost, and the then current market conditions, the management considered that the impairment loss on the investment up to December 31, 2008 was other-than-temporary. As a result, an accumulated impairment loss amounting to RMB37,426 was recognized in earnings during the nine months ended December 31, 2008 and the market value as of December 31, 2008 formed a new cost basis of the Company's investment in Cordlife Limited. Subsequent to December 31, 2008, there was an increase in the market value of the ordinary shares of Cordlife Limited, resulting in unrealized holding gain recognized in accumulated other comprehensive income as of March 31, 2009 of RMB5,081. During the year ended March 31, 2010, there was an increase in market value of the Group's investment in Cordlife Limited, resulting in an unrealized holding gain of RMB22,012 for the year and total unrealized holding gain recognized in accumulated other comprehensive income attributable to CCBC shareholders of RMB27,093. During the year ended March 31, 2011, there was a decline in the market value of the Group's investment in Cordlife Limited, resulting in an unrealized holding loss of RMB7,748 (US\$1,183) for the year. As of March 31 2011, the total unrealized holding gain recognized in accumulated other comprehensive income attributable to CCBC shareholders amounted to RMB19,345 (US\$2,954). As of March 31, 2010 and 2011, total other-than-temporary impairment of RMB37,426 (US \$5,715) had been recognized in income.

10 Other investment

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	US\$
Unlisted equity securities, at cost	-	134,363	20,519

In February 2010, the Group acquired a 19.92% equity interest of Qilu Stem Cell Engineering Company Limited (“Qilu Stem Cell”), which operates a cord blood bank in the Shandong province, the PRC. The consideration was satisfied in cash during the year ended March 31, 2010 and was included in non-current prepayments as of March 31, 2010. The transaction was completed on May 5, 2010. The Group does not have significant influence over the financial and operating decisions of Qilu Stem Cell. The investment is stated at cost as the equity securities do not have a readily determinable fair value.

11 Bank loan

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	US\$
Lender			
Hua Xia Bank	45,000	45,000	6,872

During the year ended March 31, 2010, the Group entered into a loan agreement with a commercial bank in the PRC for a one year term. During the year ended March 31, 2011, the Group repaid the bank loan in full upon its maturity and entered into a new loan agreement with the commercial bank for a one year term. The two loan agreements do not require the Group to comply with any financial covenants. The loans bear a floating interest rate at 110% (2010: 110%) of the base lending rate quoted by the People’s Bank of China, which is re-priced monthly. As of March 31, 2011, the bank loan bears interest at 6.666% (2010: 5.841%) per annum.

Details of the bank loans are as follows:

<i>Loan period</i>	<i>Interest expense</i> <i>for the years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
April 28, 2009 to April 27, 2010	-	2,431	196	30
May 11, 2010 to May 11, 2011	-	-	2,410	368
	-	2,431	2,606	398

11 Bank loan (continued)

The bank loans are denominated in RMB and are collateralized by certain buildings of the Group with a carrying value of RMB143,067 and RMB135,967 (US\$20,764) as of March 31, 2010 and March 31, 2011, respectively. The bank loan has been repaid in full upon maturity on May 11, 2011.

12 Accrued expenses and other payables

Accrued expenses and other payables consist of the following:

	<i>March 31,</i>		
	<i>2010</i>	<i>2011</i>	<i>2011</i>
	<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
Insurance premiums received on behalf of insurance company	2,120	3,724	569
Stamp duty, business tax, individual income tax and property tax payable	2,005	2,285	349
Accrued salaries, bonus and welfare expenses	4,451	5,821	890
Accrued consultancy and professional fees	4,016	2,135	325
Payable for property, plant and equipment	5,052	-	-
Payable for acquisition of cord blood bank operating right	-	82,124	12,541
Other payables	4,831	10,642	1,625
	<u>22,475</u>	<u>106,731</u>	<u>16,299</u>

The Group has an agreement with an insurance company under which the Group is granted the authority to receive insurance premiums on behalf of the insurance company from customers who store umbilical cord blood in the Group's cord blood bank and are enrolled to the insurance scheme offered by the insurance company. The Group does not assume any credit risk in respect of the insurance premiums and has no obligations to its customers in respect of the insurance policies.

The payable for the acquisition of the cord blood bank operating right of RMB82,124 (US\$12,541) as of March 31, 2011 represents the amount incurred in connection with the acquisition of the cord blood bank operating right in the Zhejiang province, the PRC (Note 8). The amount has been subsequently settled in August 2011.

13 Deferred revenue

(a) *Deferred revenue consists of the following:*

	<i>March 31,</i>		
	<i>2010</i> RMB	<i>2011</i> RMB	<i>2011</i> US\$
Prepayments by subscribers prior to completion of cord blood processing services	12,359	45,517	6,950
Unearned storage fees	116,870	199,470	30,462
	<u>129,229</u>	<u>244,987</u>	<u>37,412</u>
Representing:			
Current portion	36,074	82,319	12,571
Non-current portion	93,155	162,668	24,841
	<u>129,229</u>	<u>244,987</u>	<u>37,412</u>

(b) *An analysis of the unearned processing and storage fees is as follows:*

	<i>Years ended March 31,</i>			
	<i>2009</i> RMB	<i>2010</i> RMB	<i>2011</i> RMB	<i>2011</i> US\$
Balance at beginning of year	84,292	89,177	116,870	17,847
Deferred revenue arising from new subscribers	33,172	76,042	153,505	23,443
Credited to income	(28,287)	(48,349)	(70,905)	(10,828)
Balance at end of year	<u>89,177</u>	<u>116,870</u>	<u>199,470</u>	<u>30,462</u>

14 Redeemable ordinary shares of CCBS and redeemable non-controlling interests

On November 9, 2006 and May 15, 2007, Subscription Agreements were entered into between China Stem Cells Holdings Limited (“CSC Holdings”), the then holding company of the operating companies of the Group, and subscribers, pursuant to which CSC Holdings issued 242,000 and 166,980 new redeemable ordinary shares to the subscribers. Upon the consummation of the reorganization of CSC Holdings in February 2008, CCBS acquired all the redeemable ordinary shares of CSC Holdings by the issuance of 100 redeemable ordinary shares of CCBS for every redeemable ordinary share of CSC Holdings held by the shareholders, with their redemption rights substantively unchanged. The number of such shares was restated retroactively to reflect the share exchange ratio as at the date of the Share Exchange in a manner similar to a stock consolidation. As a result, there were a total of 14,614,140 redeemable ordinary shares outstanding as of March 31, 2009.

Details of the redeemable ordinary shares issued (with number of shares retroactively restated) are as follows:

<i>Date of issuance</i>	<i>November 22, 2006</i>	<i>May 15, 2007</i>
Number of redeemable ordinary shares	8,647,420	5,966,720
Subscription price per share	US\$ 2.26	US\$ 3.84
Net proceeds received		
– RMB	154,907	176,491
– US\$	19,568	22,934

Under the terms of the Subscription Agreements, holders of the redeemable ordinary shares had right to require CSC Holdings to redeem the shares if a “qualified IPO” had not occurred. For redeemable ordinary shares issued on November 22, 2006, a qualified IPO was defined as an initial public offering of CSC Holdings’ shares on a recognized stock exchange within 24 months from the date of share issuance that valued CSC Holdings at no less than US\$240,000 immediately prior to the initial public offering. For the redeemable shares issued on May 15, 2007, a qualified IPO was defined as an initial public offering of CSC Holdings’ shares on a recognized stock exchange within 20 months from the date of share issuance that valued CSC Holdings at no less than US\$400,000 immediately prior to the initial public offering. In the event of a redemption under this right, CSC Holdings had redeem the shares at a redemption price equal to the original issue price of the shares, plus an amount which would have accrued on the original issue price at an un compounded annual rate of 8% from the date of issuance up to and including the date on which such redemption price is paid.

14 Redeemable ordinary shares of CCBS and redeemable non-controlling interests (continued)

Pursuant to the Share Exchange (Note 1(b)), the Participating Shareholders who held redeemable ordinary shares of CCBS waived their redemption rights with respect to the redeemable ordinary shares, on condition that the Share Exchange was completed by June 30, 2009. Such a waiver effectively deferred the earliest date of redemption of the redeemable ordinary shares to June 30, 2009, and the Company continued to provide for the accretion to the redemption value up to the completion of the Share Exchange on June 30, 2009.

The accretion to the redemption value (net of related foreign exchange credits for the years ended March 31, 2009 and the three months ended June 30, 2010 of RMB3,248 and RMB871 respectively) is reflected as a charge against retained earnings as follows:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Redeemable ordinary share issued on:				
- November 22, 2006	11,994	2,746	-	-
- May 15, 2007	<u>12,901</u>	<u>3,124</u>	-	-
Total accretion to redemption value	<u><u>24,895</u></u>	<u><u>5,870</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Upon completion of the Share Exchange on June 30, 2009 (Note 1(b)), the Participating Shareholders who held redeemable ordinary shares of CCBS exchanged such redeemable shares for 11,108,004 ordinary shares of the Company, which carry no redemption rights. The carrying value of redeemable ordinary shares held by the Participating Shareholders of RMB299,614 upon the completion of such exchange was reclassified as the Company's share capital of RMB4 and additional paid-in capital of RMB299,610. The carrying value of the remaining redeemable shares of CCBS of RMB92,833 which represented a 6.06% equity interest in CCBS and carrying redemption rights, was reclassified as redeemable non-controlling interests upon completion of such exchange.

14 Redeemable ordinary shares of CCBS and redeemable non-controlling interests (continued)

Movements of the carrying value of redeemable ordinary shares of CCBS are as follows:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Balance at beginning of year	361,682	386,577	-	-
Accretion to redemption value	24,895	5,870	-	-
Reclassified as permanent equity upon completion of Share Exchange	-	(299,614)	-	-
Reclassified as redeemable non-controlling interests upon completion of Share Exchange	-	(92,833)	-	-
Balance at end of year	<u>386,577</u>	<u>-</u>	<u>-</u>	<u>-</u>

Redeemable non-controlling interests are stated at the higher of the non-controlling interests' share of the Group's net assets and their redemption value. The accretion to the redemption value of RMB99 for the year ended March 31, 2010 was reflected as a charge against retained earnings.

In August 2009, the Non-Participating Shareholders exchanged all remaining redeemable ordinary shares of CCBS for 3,506,136 ordinary shares of the Company, which carry no redemption rights. The carrying value of the redeemable non-controlling interests held by the Non-Participating Shareholders of RMB93,566 upon the completion of such exchange was reclassified as the Company's share capital of RMB2 and additional paid-in capital of RMB93,564.

15 Deferred offering and reverse recapitalization costs

Deferred reverse recapitalization costs represent transaction costs incurred in connection with the Share Exchange up to March 31, 2009. As of March 31, 2009, net proceeds from the Share Exchange were expected to exceed reverse recapitalization costs incurred.

15 Deferred offering and reverse recapitalization costs (continued)

On June 23, 2009, Pantheon entered into Stock Purchase Agreements with two of its stockholders. Pursuant to such agreements, Pantheon agreed to purchase an aggregate of 4,547,399 shares of its common stock after the closing of the Share Exchange, for an aggregate purchase price of US \$27,239, settled in cash. The stockholders (i) agreed that they would not exercise their conversion rights in connection with the stockholder approval of the Share Exchange, and (ii) granted Pantheon's representatives such stockholders' irrevocable proxy in voting for the Share Exchange. The transaction was settled by Pantheon at the time of reverse recapitalization on June 30, 2009.

Mainly as a result of the purchase of shares, liabilities of Pantheon just prior to the completion of the Share Exchange exceeded its assets by RMB4,722 and such net liabilities were assumed by the continuing company in connection with the reverse recapitalization. CCBS entered into contingent fee arrangements with counterparties where transaction costs of RMB23,000 incurred in connection with the Share Exchange were refundable from counterparties contingent on the net proceeds raised from the reverse recapitalization. The amount was included in deferred reverse recapitalization costs as of March 31, 2009 and was subsequently refunded to the Company in August 2009. After adjusting for refunds from counterparties under contingent fee arrangements and additional costs incurred up to the completion of the Share Exchange, accumulated costs incurred by CCBS for the reverse recapitalization amounted to RMB16,844 as of June 30, 2009. Such reverse recapitalization costs incurred, together with net liabilities of Pantheon assumed by the Company as a result of the Share Exchange, totaling RMB21,566 were effectively costs incurred by the Company for the Share Exchange which exceeded any proceeds, and were charged to income during the year ended March 31, 2010.

The Share Exchange Agreement was entered into pursuant to the Company's decision to seek alternative ways to achieve the listing of its shares instead of through an initial public offering. As a result, deferred offering costs previously incurred in connection with the proposed initial public offering of RMB9,473 were recognized as a write-off of deferred offering costs during the year ended March 31, 2009.

16 Shareholders' equity

(a) *Share capital*

As of March 31, 2009, CCBS had 121,000,000 shares issued and outstanding. The share capital of CCBS as of March 31, 2009 as shown in these financial statements has been restated retroactively to reflect the share exchange ratio as at the date of the Share Exchange in a manner similar to a stock consolidation, resulting in a total of 43,237,100 shares outstanding as of March 31, 2009.

16 Shareholders' equity (continued)

(a) *Share capital (continued)*

Just prior to the Share Exchange, the Company had 1,368,088 shares outstanding. As part of the Share Exchange, 11,108,004 ordinary shares of the Company, which carry no redemption rights, were issued in exchange for redeemable ordinary shares of CCBS and 43,237,100 ordinary shares of the Company were issued in exchange for ordinary shares of CCBS. As a result, upon completion of the Share Exchange, the Company had 55,713,192 ordinary shares outstanding.

Subsequent to the Share Exchange, all outstanding share options of the Company were exercised for 3,573,314 ordinary shares of the Company at a total exercise price of RMB39,744 (Note 20(a)).

In August 2009, 3,506,136 ordinary shares of the Company, which carry no redemption rights, were issued in exchange for the remaining 24% redeemable ordinary shares of CCBS.

In November 2009, the Company completed the listing of its shares on the New York Stock Exchange with a public offering of 3,305,786 new ordinary shares at an offering price of US\$6.05 per share and net proceeds of RMB120,516 were raised.

Prior to the completion of the Share Exchange, Pantheon issued a promissory note with principal amount of US\$510,000 to EarlyBirdCapital, Inc. ("EBC"), the representative of Pantheon's underwriters in its Initial Public Offering in December 2006 as settlement of payable for services rendered. The promissory note bore no interest and had a maturity on June 29, 2010 but the Company could voluntarily repay the note any time prior to March 29, 2010. The note was automatically converted into 84,298 ordinary shares upon the completion of the public offering as the Company completed a U.S. registered offering for ordinary shares raising gross proceeds of more than US\$10,000 prior to the maturity date of the promissory note.

Under the underwriting agreement with underwriters in connection with the offering of shares in November 2009, the Company granted an option to the underwriters to purchase up to 495,867 additional ordinary shares of the Company at the offering price of US\$6.05 per share, which was exercisable within 45 days from the completion of the offering. In January 2010, the option was exercised and net proceeds of RMB19,409 were raised.

In February and March 2010, a total of 65,100 shares were issued by the Company upon exercise of warrants. As a result of the above transactions, the Company had 66,743,693 shares outstanding as of March 31, 2010.

16 Shareholders' equity (continued)

(a) Share capital (continued)

During the year ended March 31, 2011, a total of 345,010 ordinary shares were issued by the Company upon the exercise of warrants (see note 16(c)(i)), a total of 1,627,518 ordinary shares were issued upon the completion of the Warrant Exchange (see note 16(c)(i) and note 16(c)(ii)) and 309,346 ordinary shares were repurchased under the share repurchase program (see note 16(d)).

In November 2010, the Company completed a secondary offering of 7,000,000 ordinary shares at an offering price of US\$4.50 per share and net proceeds of RMB189,861 (US\$28,994) were raised.

As a result of the above transactions, the Company had 75,406,875 shares outstanding as of March 31, 2011.

(b) Statutory reserves

According to PRC rules and regulations and their Articles of Association, Beijing Jiachenhong and Guangzhou Nuoya are required to transfer 10% of net income, as determined in accordance with the relevant financial regulations applicable to Wholly Foreign Owned Enterprises as established by the Ministry of Finance of the PRC ("PRC GAAP"), to a statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to equity holders can be made.

The statutory surplus reserve is non-distributable but can be used to make good previous years' losses, if any, and may be converted into issued capital in proportion to the respective equity holding of the equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the registered capital.

Transfers of RMB8,332, RMB10,537 and RMB12,178 (US\$1,860) have been made to the statutory surplus reserve by Beijing Jiachenhong and Guangzhou Nuoya for the years ended March 31, 2009, 2010 and 2011, respectively. Accumulated statutory surplus reserve as of March 31, 2010 and 2011 amounted to RMB25,607 and RMB37,785 (US\$5,770), respectively.

16 Shareholders' equity (continued)

(c) Warrants and options

The Company had the following warrants and options in issue during the year ended March 31, 2011.

(i) IPO Warrants

Upon its Initial Public Offering in December 2006, the Company issued 5,750,000 units ("Units") at an offering price of US\$6.00 per unit. Each Unit consists of one share of the Company's common stock, and two warrants ("IPO Warrants"). Each holder of an IPO Warrant was entitled to purchase one share of the Company's common stock at an exercise price of US\$5.00 prior to its expiry on December 13, 2010. The IPO Warrants were redeemable, at the discretion of the Company and subject to the consent of Early Bird Capital, Inc. ("EBC"), at a price of US\$0.01 per IPO Warrant upon 30 days' notice only in the event that the last sale price of the Company's common stock is at least US\$8.50 per share for any 20 trading days within a 30 trading-day period ending on the third day prior to the date of notice of redemption. If the Company redeemed the IPO Warrants, it would have the option to require any IPO Warrant holder that wished to exercise his Warrant to do so on a "cashless basis". During the year ended March 31, 2010, 65,100 IPO warrants were exercised. As of March 31, 2010, 11,434,900 IPO warrants were outstanding. During the year ended March 31, 2011, 345,010 IPO Warrants were exercised. On November 10, 2010, the Company announced a warrant exchange offer ("Warrant Exchange"), which allowed outstanding warrant holders to receive one ordinary share for every eight outstanding warrants. Together with Insider Warrants (Note 16(c)(ii)), a total of 13,020,236 warrants were exchanged for 1,627,518 ordinary shares upon completion of Warrant Exchange. The remaining warrants lapsed on expiry.

(ii) Insider Warrants

Simultaneous with the Company's Initial Public Offering, the Company sold 2,083,334 warrants to certain of its then officers, directors and special advisors ("Insider Warrants"). The terms of the Insider Warrants are identical to the IPO Warrants, except that if the Company called the IPO Warrants for redemption, the Insider Warrants were exercisable on a cashless basis as described in Note 16(c)(i). The Insider Warrants were either exchanged for shares upon the Warrant Exchange (Note 16(c)(i)) or lapsed.

16 Shareholders' equity (continued)

(c) Warrants and options (continued)

(iii) Option to purchase Units of the Company

In connection with its Initial Public Offering, the Company also issued an option for US\$0.1 to EBC to purchase 500,000 Units at an exercise price of US\$6.60 per Unit prior to its expiry on December 13, 2011. The Units issuable upon exercise of the option were identical to the Units sold in the Initial Public Offering. The option could be exercised for cash or on a cashless basis at the holders' option, such that the holder could use the appreciated value of the option (the difference between the exercise prices of the option and the underlying warrants and the market price of the Units and underlying securities) to exercise the option without paying cash. However, the Company had no obligation to net cash settle the exercise of the option or the warrants underlying the option. The holder of the option were 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 was available. If the holder was unable to exercise the option or the underlying warrants, the option or warrants, as applicable, expired worthless. The warrants underlying the option were exercisable at the same price and had the same expiry date as of December 13, 2010 as the IPO Warrants. As of March 31, 2011, the option had not been exercised and the warrants underlying the option had expired.

(d) Share repurchase program

On September 15, 2010, the Group announced the authorization of a share repurchase program under which the Company was entitled to repurchase up to US\$15 million worth of its outstanding ordinary shares. Pursuant to this program, the Company was entitled to repurchase its shares for a period of one year commencing on September 15, 2010 in the open market at prevailing market prices or in block trades. The timing of purchases will be determined by the Company, which will base its decisions on share price, corporate and regulatory requirements, capital availability and other market conditions.

As of March 31, 2011, the Company has repurchased and cancelled 309,346 ordinary shares at a total cost of RMB10,653 (US\$1,627). Any shares repurchased by the Company have to be cancelled under the Companies Law of the Cayman Islands, where the Company is domiciled in. The excess of the repurchase price over par value of RMB10,653 (US\$1,627) was charged to additional paid-in capital.

17 Revenues

The Group's revenues are primarily derived from the provision of umbilical cord blood storage and ancillary services.

In view of the fact that the Group operates and manages its business solely in the PRC and services were predominately provided to customers located in the PRC, no geographical segment information is provided.

The Group's revenues can be analyzed as follows:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Cord blood processing fees	164,774	211,860	266,554	40,705
Cord blood storage fees	28,287	48,349	70,905	10,828
Fee derived from the provision of donated cord blood for transplantation and research	1,476	1,327	2,073	317
	<u>194,537</u>	<u>261,536</u>	<u>339,532</u>	<u>51,850</u>

18 Depreciation

Depreciation of property, plant and equipment is included in the following captions:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Direct costs	6,175	12,057	11,790	1,801
Research and development	-	1,748	2,933	448
Sales and marketing	158	1,437	1,679	256
General and administrative	1,242	4,218	5,689	869
	<u>7,575</u>	<u>19,460</u>	<u>22,091</u>	<u>3,374</u>

19 Income tax

(a) *Cayman Islands and British Virgin Islands*

Under the current laws of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries that are incorporated in the Cayman Islands and the British Virgin Islands are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies, no Cayman Islands or British Virgin Islands withholding tax will be imposed.

19 Income tax (continued)

(b) Hong Kong

The Company's subsidiaries that are incorporated or operated in Hong Kong are subject to Hong Kong Profits Tax on income arising in or derived from Hong Kong. No provision was made for Hong Kong Profits Tax as they did not earn income subject to Hong Kong Profits Tax for the years ended March 31, 2009, 2010 and 2011. The payments of dividends by Hong Kong tax residents are not subject to any Hong Kong withholding tax.

(c) The PRC

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the new tax law"), which revised the PRC statutory income tax rate to 25% and was effective on January 1, 2008. The Company's PRC subsidiaries are subject to income tax at 25% unless otherwise specified.

Prior to 2008, Beijing Jiachenhong, being a foreign invested production-oriented enterprise registered in the Beijing Economic and Technology Development Zone, was entitled to a preferential income tax rate of 15% and was granted a full exemption from income tax for two years followed by a 50% reduction of income tax rate for three years starting from its first profit-making year ("the Tax Holiday"). Beijing Jiachenhong started its Tax Holiday on January 1, 2004. The new tax law and its relevant regulations provide a five-year transition period from January 1, 2008 for those enterprises which were entitled to a preferential tax rate under the then effective tax laws or regulations, as well as grandfathering the Tax Holidays. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for calendar years 2008, 2009, 2010, 2011 and 2012 onwards, respectively. In addition, entities that qualify as "High and New Technology Enterprises" ("HNTE") under the new tax law are entitled to a preferential income tax rate of 15%. In January 2009, Beijing Jiachenhong was granted the HNTE certificate, which was dated December 24, 2008. For income tax purposes, the certificate was valid for a period of three years effective retroactively from January 1, 2008. Upon the expiry of HNTE certificate, the tax rate applied to Beijing Jiachenhong would be 25%.

19 Income tax (continued)

(c) The PRC (continued)

Based on the above, Beijing Jiachenhong is subject to income tax at 9% from April 1 to December 31, 2008, at 15% for each of the calendar years 2009 and 2010, and at 25% for the calendar years 2011 onwards, respectively.

The new tax law and its implementation rules also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends receivable by non-PRC-resident enterprises from PRC-resident enterprises in respect of earnings accumulated beginning on January 1, 2008. The Company has not provided for income taxes on such accumulated earnings of its PRC subsidiaries as of March 31, 2011 since these earnings are intended to be reinvested indefinitely in the PRC. As of March 31, 2011, such unremitted earnings that may be subject to the withholding tax amounted to RMB267,709 (US\$40,833) and the related unrecognized deferred tax liability was RMB26,771 (US\$4,088).

Income tax expense represents PRC income tax expense as follows:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Current tax expense	19,525	28,413	40,880	6,242
Deferred tax benefit	(1,671)	(3,643)	(6,951)	(1,061)
	<u>17,854</u>	<u>24,770</u>	<u>33,929</u>	<u>5,181</u>

19 Income tax (continued)**(c) The PRC (continued)**

Income before income tax expense arose from the following tax jurisdictions:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
The PRC	97,933	116,796	155,652	23,769
Hong Kong	(55,634)	(37,133)	(23,510)	(3,590)
Income before income tax expense	<u>42,299</u>	<u>79,663</u>	<u>132,142</u>	<u>20,179</u>

Income tax expense reported in the consolidated statements of operations differs from the amount computed by applying the statutory PRC income tax rate of 25% for the following reasons:

	<i>Years ended March 31,</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>
	RMB	RMB	RMB	US\$
Income before income tax expense	<u>42,299</u>	<u>79,663</u>	<u>132,142</u>	<u>20,179</u>
Computed "expected" tax expense	10,574	19,916	33,036	5,045
Non-PRC entities not subject to income tax	13,908	9,283	5,878	898
Effect of change in tax rates	102	-	-	-
Income tax holiday	(3,444)	-	-	-
Tax rate differential	(3,508)	(4,488)	(4,865)	(743)
Others	222	59	(120)	(19)
Actual income tax expense	<u>17,854</u>	<u>24,770</u>	<u>33,929</u>	<u>5,181</u>

19 Income tax (continued)**(c) The PRC (continued)**

The effect of the tax holiday increased the Group's net income by RMB3,444, RMBNil and RMBNil (US\$Nil) for the years ended March 31, 2009, 2010 and 2011, respectively. Consequently, the effect of the tax holiday increased the Group's basic and diluted earnings per share by RMB0.06 for the year ended March 31, 2009.

The tax effects of temporary differences that give rise to deferred tax assets/(liabilities) are presented below:

	<u>March 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2011</u>
	RMB	RMB	US\$
Deferred tax assets			
Accounts receivable	2,721	4,069	621
Non-current accounts receivable	1,530	5,407	826
Property, plant and equipment	830	1,236	189
Inventories	2,473	2,378	363
Tax loss	-	381	58
Others	722	1,304	200
	<u>8,276</u>	<u>14,775</u>	<u>2,257</u>
Deferred tax liabilities			
Deferred revenue	(134)	(124)	(19)
Property, plant and equipment	(96)	-	-
Intangible assets	(6,574)	(33,603)	(5,132)
	<u>(6,804)</u>	<u>(33,727)</u>	<u>(5,151)</u>
Net deferred tax assets/(liabilities)	<u>1,472</u>	<u>(18,952)</u>	<u>(2,894)</u>

19 Income tax (continued)

(c) The PRC (continued)

Classification in the consolidated balance sheets:

	<u>March 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2011</u>
	RMB	RMB	US\$
Deferred tax assets			
Current portion	3,443	5,373	821
Non-current portion	288	2,565	392
Deferred tax liabilities			
Non-current portion	<u>(2,259)</u>	<u>(26,890)</u>	<u>(4,107)</u>
	<u>1,472</u>	<u>(18,952)</u>	<u>(2,894)</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes that the deferred tax assets as of March 31, 2010 and 2011 are more likely than not to be realized and no valuation allowance needs to be made. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

As of April 1, 2009 and for each of the years ended March 31, 2010 and 2011, the Group did not have any material unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months.

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100 (US\$15). In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiaries for the calendar years from 2005 to 2010 are open to examination by the PRC state and local tax authorities.

20 Share-based compensation

(a) Share option scheme of CSC Holdings

On September 21, 2006, CSC Holdings adopted a share option scheme (the “Scheme”) whereby the directors of CSC Holdings are authorized, at their discretion, to offer any employee (including any director) of CSC Holdings options to subscribe for shares in CSC Holdings to recognize their contribution to the growth of CSC Holdings. Each option gives the holder the right to subscribe for one ordinary share of CSC Holdings. The Scheme is valid and effective for a period of ten years ending on September 21, 2016.

On September 21, 2006, CSC Holdings granted several directors and employees options to purchase a total of 100,000 ordinary shares of CSC Holdings at an exercise price of HK\$450 per share. The options became vested as follows:

- 30% of options granted vested immediately on the date of grant;
- another 30% vested immediately after 12 months from the date of grant; and
- the remaining 40% vested immediately after 18 months from the date of grant.

All the options granted are exercisable by the grantees upon vesting and will expire on August 27, 2016.

The fair value of each option award is estimated on the date of grant using the Black-Scholes pricing model based on the following assumptions:

- Fair value of shares on measurement date	HK\$450 per share
- Expected volatility	34.66% - 40.21%
- Expected dividends	0%
- Risk-free rate	1.83% - 2.19%

Up to the date of grant of the options, CSC Holdings’ shares were not publicly traded and did not have a quoted market price. As a result, for the purpose of share option valuation, the fair value of CSC Holdings’ shares was estimated based on the transaction price of a recent private placement of shares by a shareholder of CSC Holdings with unrelated third parties of HK\$450 per share. The historical volatility of a combination of peer companies of similar nature and size was used to estimate the volatility of CSC Holdings’ shares. The Company uses historical data to estimate employee termination within the valuation model. The risk-free rate for periods within the contractual life of the options is based on the Hong Kong Exchange Fund Note in effect at the time of grant. Expected dividend yields are based on historical dividends. Changes in these subjective input assumptions could materially affect the fair value estimates.

20 Share-based compensation (continued)

(a) *Share option scheme of CSC Holdings (continued)*

No options were exercised, cancelled or lapsed during the year ended March 31, 2009. Upon completion of the Share Exchange on June 30, 2009, each share option of CSC Holdings was replaced by an option to acquire 35.73314 shares of the Company. All such share options were exercised by the grantees on June 30, 2009. The excess of exercise price received of RMB39,744 over the nominal value of shares issued, of RMB39,741 was credited to additional paid-in capital.

(b) *Earn-out warrant scheme of the Company*

Under the Share Exchange Agreement, the Company could issue and deliver up to 9,000,000 warrants to its management (“Earn-Out Warrants”), each representing the right to purchase one share of the Company. Under the Share Exchange Agreement, up to 2,500,000 warrants could be issued if the target growth in the number of new subscribers of the Company’s cord blood storage service for the year ended March 31, 2009 was achieved. Similarly, up to 3,000,000 and 3,500,000 warrants could be issued if the target growth in the number of new subscribers for the years ended March 31, 2010 and 2011 is achieved, respectively. However, the terms and number of Earn-Out Warrants to be awarded to management, if any, had to be determined by the Compensation Committee of the Company.

The Earn-Out Warrants scheme of the Company was approved by the Company’s shareholders on June 30, 2009, and based on the Company’s operating data, the target growth in the number of new subscribers for the years ended March 31, 2009 and 2010 was met. However, the terms and number of Earn-Out Warrants to be granted, if any, were not determined and approved by the Compensation Committee. As the award of Earn-Out Warrants had not been authorized as of March 31, 2010, no compensation expense was recognized for the year ended March 31, 2010. On July 14, 2010, the scheme was cancelled.

(c) *Restricted Share Unit scheme of the Company*

The Restricted Share Unit scheme was approved by the shareholders of the Company and adopted on February 18, 2011, with a mandate limit of granting rights to receive ordinary shares not exceeding 10% of the Company’s issued and outstanding share capital, to directors, officers, employees and/or consultants of the Group. As no awards have been granted as of March 31, 2011, no compensation expense has been recognized for the year ended March 31, 2011.

21 Net (loss)/income per share

The following table sets forth the computation of basic net income per share:

	<i>Years ended March 31,</i>			
	2009 RMB	2010 RMB	2011 RMB	2011 US\$
Basic net (loss)/income per share				
Net income attributable to the parent company	20,695	49,177	91,703	14,004
Accretion to redemption value of redeemable non-controlling interests	-	(99)	-	-
Adjusted net income attributable to the parent entity	20,695	49,078	91,703	14,004
Accretion to redeemable ordinary shares redemption value	(24,895)	(5,870)	-	-
Net (loss)/income attributable to ordinary shareholders	<u>(4,200)</u>	<u>43,208</u>	<u>91,703</u>	<u>14,004</u>
Denominator (weighted-average):				
- ordinary shares	43,237,100	58,854,605	70,083,876	
- redeemable ordinary shares (Note)	<u>14,614,140</u>	<u>3,643,525</u>	-	
	<u>57,851,240</u>	<u>62,498,130</u>	<u>70,083,876</u>	
Allocation of undistributed (loss)/income:				
- ordinary shares	(3,139)	48,273	91,703	14,004
- redeemable ordinary shares (Note)	<u>(1,061)</u>	<u>(5,065)</u>	-	-
	<u>(4,200)</u>	<u>43,208</u>	<u>91,703</u>	<u>14,004</u>
Allocation of net (loss)/income (numerator):				
- ordinary shares	(3,139)	48,273	91,703	14,004
- redeemable ordinary shares	<u>23,834</u>	<u>805</u>	-	-
	<u>20,695</u>	<u>49,078</u>	<u>91,703</u>	<u>14,004</u>
Basic net (loss)/income per share:				
- ordinary shares	(0.07)	0.82	1.31	0.20
- redeemable ordinary shares	<u>1.63</u>	<u>0.22</u>	-	-

21 Net (loss)/income per share (continued)

Note: The redeemable ordinary shares were only outstanding for periods prior to the Share Exchange on June 30, 2009 and the net income per share attributable to those shares for the year ended March 31, 2010 reflects their share of net income in the three months ended June 30, 2009 when they were outstanding.

As of March 31, 2009, there were 3,573,314 dilutive potential ordinary shares, being share options granted to the directors and executives. All such share options had been exercised as of June 30, 2009.

As of March 31, 2010, the Company had dilutive potential ordinary shares representing shares issuable upon exercise of the 13,518,234 warrants (see Notes 16(c)(i) and (c)(ii)) and an option to purchase the Company's Units (see Note 16(c)(iii)).

As of March 31, 2011, the Company had dilutive potential ordinary shares of 500,000 representing shares issuable upon exercise of an option to purchase the Company's Units (see Note 16(c)(iii)). Diluted net (loss)/income per share for the year ended March 31, 2009 and 2011 is the same as basic net (loss)/income per share as the dilutive potential shares have an anti-dilutive effect on net (loss)/income per share.

Diluted net income per share for the year ended March 31, 2010 is computed as follows:

	<i>March 31, 2010</i> RMB
Denominator:	
- ordinary shares (including 3,180,716 dilutive potential shares)	62,035,321
- redeemable ordinary shares	<u>3,643,525</u>
	<u>65,678,846</u>
Allocation of undistributed income:	
- ordinary shares	48,251
- redeemable ordinary shares	<u>(5,043)</u>
	<u>43,208</u>
Allocation of net income (numerator):	
- ordinary shares	48,251
- redeemable ordinary shares	<u>827</u>
	<u>49,078</u>
Diluted net income per share:	
- ordinary shares	0.78
- redeemable ordinary shares	<u>0.22</u>

22 Related party transactions

(a) *The principal related party transactions are as follows:*

	Note	Years ended March 31,			
		2009 RMB	2010 RMB	2011 RMB	2011 US\$
Rental of properties	(i)	2,088	1,602	1,440	220
Service fee	(ii)	-	552	-	-

Notes:

- (i) During the years ended March 31, 2009, 2010 and 2011, Beijing Jingjing Medical Equipment Co., Ltd. (“Beijing Jingjing”), a company under common control, leases a property to the Group under an operating lease for use as the Group’s cord blood bank, at an effective monthly rental of RMB174. The lease was renewed in July 2009 at a monthly rental of RMB120 (US\$18). The lease runs for a period of 5.5 years expiring in December 2014 and does not include contingent rentals.
- (ii) During the year ended March 31, 2010, Golden Meditech Holdings Limited, a shareholder, provided administrative services to the Group, at a monthly service fee of RMB184 up to June 30, 2009.

(b) *Amounts due to related parties are as follows:*

	Note	March 31,		
		2010 RMB	2011 RMB	2011 US\$
Current liabilities				
Amounts due to:				
- Beijing Jingjing	(i)	360	360	55
- Directors	(ii)	2,617	-	-
		<u>2,977</u>	<u>360</u>	<u>55</u>

Notes:

- (i) The balance represents rental payable.
- (ii) The balance represents administrative expenses paid by the Company’s directors on behalf of the Company which were repaid by the Company during the year ended March 31, 2011. The balance is unsecured, interest-free and has no fixed terms of repayment.

23 Pension and other postretirement benefits

Pursuant to the relevant PRC regulations, Beijing Jiachenhong and Guangzhou Nuoya are required to make contributions for each employee at a rate of approximately 20% on a standard salary base as determined by the local Social Security Bureau, to a defined contribution retirement scheme organized by the local Social Security Bureau in respect of the retirement benefits for its employees. The total amount of contributions of RMB3,724, RMB5,664 and RMB7,107 (US\$1,085) for the years ended March 31, 2009, 2010 and 2011, respectively, was charged to expense in the consolidated statements of operations. The Group has no other obligation to make payments in respect of retirement benefits of the employees.

24 Fair value disclosures

The Group adopted ASC 820, *Fair Value Measurements and Disclosures* in measuring fair value, as follows:

Level 1: Valuations are based on quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. Since valuations are readily and regularly available, valuation of Level 1 assets and liabilities does not require a significant degree of judgment.

The Group determined the fair value of the available-for-sale equity securities (see Note 9) using quoted market prices based on the last trading value as of March 31, 2010 and 2011.

Level 2: Valuations are based on quoted prices for similar assets in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly. The Group had no instruments which were valued using Level 2 inputs as of March 31, 2010 and 2011.

Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. The Group had no instruments which were valued using Level 3 inputs as of March 31, 2010 and 2011.

25 Business and credit concentrations

All of the Group's customers are located in the PRC. Revenues from and gross accounts receivable due from customers are individually immaterial.

The Group purchases raw materials from a few major suppliers which are located in the PRC. The following are purchases from suppliers that individually comprise 10% or more of gross purchases in the respective years:

	<i>Years ended March 31,</i>							
	<i>2009</i>		<i>2010</i>		<i>2011</i>		<i>2011</i>	
	RMB	%	RMB	%	RMB	%	US\$	%
Beijing Zhu You Ying Kang Technology Development Co., Ltd.	2,881	15	4,973	19	7,562	22	1,155	22
Hangzhou Baitong Biological Technology Co., Ltd.	3,381	17	5,192	19	6,224	18	950	18
Fenwal Dahun Pharmaceutical Technology (Shanghai) Co., Ltd.	4,425	22	7,340	27	5,617	16	858	16
Beijing Probe Biological Technology Co., Ltd.	2,181	11	3,336	12	3,463	10	529	10
	<u>12,868</u>		<u>20,841</u>		<u>22,866</u>		<u>3,492</u>	

Accounts payable due to major suppliers representing more than 10% of outstanding accounts payable as of the respective year end were as follows:

	<i>March 31,</i>					
	<i>2010</i>		<i>2011</i>		<i>2011</i>	
	RMB	%	RMB	%	US\$	%
Beijing Zhu You Ying Kang Technology Development Co., Ltd.	289	5	737	15	112	15
Hangzhou Baitong Biological Technology Co., Ltd.	638	12	192	4	29	4
	<u>927</u>		<u>929</u>		<u>141</u>	

26 Commitments and contingencies

(a) Operating lease commitments

For the years ended March 31, 2009, 2010 and 2011, total rental expenses for obligations under operating leases were RMB4,538, RMB5,832 and RMB5,594 (US\$855), respectively.

As of March 31, 2011 the total future minimum payments under non-cancellable operating leases are payable as follows:

Fiscal years ending March 31,	March 31, 2011	
	RMB	US\$
2012	5,495	839
2013	5,436	830
2014	5,161	788
2015	4,801	733
2016	3,721	568
2017 and thereafter	<u>46,512</u>	<u>7,103</u>
Total payments	<u>71,126</u>	<u>10,861</u>

(b) Contractual commitments

The Group has entered into an agreement with an institution for the research and development of medicines for treatments which make use of cord blood stem cells. Commitments as of March 31, 2011 under this agreement amount to RMB2,000 (US\$305) (2010: RMB2,000).

In June 2006, the Group entered into a co-operation agreement with the Peking University People's Hospital ("PUPH"). Pursuant to the agreement, PUPH provides technical consultancy services to the Group in relation to the operation of a cord blood bank, in return for a fixed annual advisory fee of RMB2,000 (US\$305). The agreement has a term of twenty years commencing in October 2006.

In November 2009, Guangzhou Nuoya entered into a co-operation agreement with the Guangdong Women and Babies Medical Centre ("GWBMC"). Pursuant to the agreement, GWBMC provides technical consultancy services to the Group in return for an annual advisory fee of RMB2,000 (US\$305). The agreement has a term of twenty years commencing in November 2009.

In December 2010, Zhejiang Lukou entered into a co-operation agreement with the Zhejiang Provincial Blood Center ("ZPBC"). Pursuant to the agreement, ZPBC provides technical consultancy services to the Group in return for an annual advisory fee of RMB2,000 (US\$305). The agreement has a term of three years commencing in February 2011.

26 Commitments and contingencies (continued)

(b) Contractual commitments (continued)

As of March 31, 2011, the total future minimum payments under the co-operation agreements are payable as follows:

Fiscal years ending March 31,	March 31, 2011	
	RMB	US\$
2012	6,000	916
2013	6,000	916
2014	5,770	881
2015	4,000	611
2016	4,000	611
2017 and thereafter	48,167	7,356
Total payments	<u>73,937</u>	<u>11,291</u>

27 Subsequent events

- (a) Subsequent to the year end and up to September 27, 2011, the Group has repurchased 1,768,760 ordinary shares for a total consideration of RMB35,117 (US\$5,363).
- (b) On June 16, 2011, the shareholders of Cordlife Limited approved a capital reduction of the company. The capital reduction results in the demerger of Cordlife Pte Ltd, a major operation of Cordlife Limited which is mainly engaged in cord blood banking business in Singapore and Hong Kong, from Cordlife Limited. Shares in Cordlife Pte Ltd were distributed to shareholders on a pro rata basis. Following the demerger, the Group owns a 16.1% equity interest in each of Cordlife Pte Ltd and Cordlife Limited and the Group's then investments in Cordlife Limited upon the completion of the demerger were recognized as investments in Cordlife Pte Ltd and Cordlife Limited based on their respective estimated fair values as of the date of the demerger.
- (c) On May 31, 2011, Guangzhou Nuoya has been determined and acknowledged as a HNTE and such status is valid for three years retrospectively from January 1, 2010. Guangzhou Nuoya is expected to be subject to a reduced tax rate of 15% for such period. The tax effect of obtaining the HNTE status by Guangzhou Nuoya will be recorded as an income tax benefit for the year ending March 31, 2012.

Summary of Loan Agreement
Agreement #[]

Party A (Borrower): Beijing Jiachenhong Biological Technologies, Co., Ltd.
Party B (Lender): Huaxia Bank, Beijing Xiushui Branch

Article 1 Type of Loan
Working Capital Loan

Article 2 Amount and Currency of Loan

- 2.1 The currency of the loan stipulated in the agreement is Renminbi (“RMB”).
- 2.2 The amount of the loan under this agreement is RMB45,000,000.

Article 3 Purpose of Loan

The loan under this agreement is limited to be used for general work capital. Without Party B’s written consent, Party A shall not change the purpose of the loan.

Article 4 Term of Loan

- 4.1 The term of the loan under this agreement is one year, commencing May 11, 2010 to May 11, 2011.
- 4.2 The total amount of the loan is drawn down on May 11, 2010.
- 4.3 The loan shall be repaid on May 11, 2011.
- 4.4 In the event the actual drawdown date and the due date of the last repayment date is inconsistent to the aforementioned provisions, the drawdown date and the due date shall be determined by the date specified on the borrowing certificate.

Article 5 Interest Rate of Loan

- 5.1 The interest rate of the loan under the agreement is 5.841% per annum. After the agreement is executed, in the event the People’s Bank of China (the “PBOC”) adjusts the benchmark interest rate prior to the actual drawdown date, the interest rate of the loan under the agreement shall be calculated pursuant to the floating adjustment set forth in Article 5.5 based on the adjusted benchmark interest rate of the same term.
- 5.2 Interest = actual remaining balance x days of which interests are applicable x interest rate/365.
- 5.3 The interest of the loan under the agreement shall be calculated monthly. The interest payment date is the 20th day of every month. The last interest payment date is the due date of the agreement.
- 5.4 In the event the PBOC adjusts the benchmark interest rate of the same term after the loan is launched, the interest of the loan shall be adjusted monthly. The adjusted interest rate of the loan shall commence to be applied from the second day of the first interest payment date after the adjustment.
- 5.5 In the event the interest rate is adjusted pursuant to Article 5.1 and Article 5.4, it shall be up-floated 10% based on the adjusted PBOC benchmark interest rate.
- 5.6 Punitive interest rate will change if the interest rate of this agreement has been adjusted.
- 5.7 Party B can made the above mentioned adjustment without Party A consent.

Article 6 Condition Precedent of Drawdown (6.1 - 6.3)

Article 7 Withdrawal of Loan (7.1 - 7.6)

Party A shall prove to Party B the usage of the loan is in accordance with the terms specified in this agreement.

Article 8 Monitoring of Loan Circulation

Party A shall open a bank account in Party B and maintain not less than 10% of the loan amount in that account.

Article 9 Repayment of Loan

- 9.1 The repayment source of Party A is including but not limited to its operating income.

- 9.2 Party A shall deposit the full amount of the repayment (the interests, the principal) in the account opened with Party B upon the maturity date (the interest payment date, the principal repayment date). Party B is entitled to withdraw the aforesaid repayment from such account.
- 9.3 For the remaining balances which are due but not yet settle, Party B has the right to withdraw directly from Party A other bank account(s) (under Party B).
- 9.4 Sequence of settlement during repayment.
- 9.5 In case Party A intends to prepay the loan before maturity, it shall submit an advance written application within 10 business days prior to the repayment to obtain the written consent of Party B. Party B shall calculate the interest based on the aforesaid interest rate and the actual borrowing days of the loan.

Article 10 Guarantee/Mortgage/ Pledge of Loan

The loan is guaranteed by the maximum mortgage agreement entered into by and between Party A and Party B.

Article 11 Right and Obligation of Party A

- 11.1 Party A shall warrant that it was legally incorporated.
- 11.2 Party A shall warrant that it obtained all the approvals of the competent authorities and the board of directors.
- 11.3 Party A shall warrant that the execution of this agreement does not violate any terms binding Party A and its assets, any other agreement, and guarantee/ mortgage/ pledge agreement entered between Party A and the other party, and terms of any document, covenant and promise binding Party A.
- 11.4 Party A shall warrant that it provided all necessary documents and information as requested by Party B, and all of the documents and information submitted are true, accurate, legal and valid.
- 11.5 Party A debt to assets ratio cannot exceed 40% during the term of this agreement.
- 11.6 Party A is entitled to drawdown and use the loan in accordance with the agreement.
- 11.7 Party A opens a bank account and Party B has the right to supervise such bank account.
- 11.8 Party A shall use the loan in compliance with the purpose of the loan aforementioned in this agreement.
- 11.9 Party A shall cooperate with Party B with regard to the credit check performed by Party B upon issuance, execution and maturity of the loan.
- 11.10 Party A shall repay the loan and relevant interests in accordance with the agreement.
- 11.11 Party A shall send Party B a 30-day written notice prior to the occurrence of the events, including but not limited to the outsource, lease, escrow, asset restructure, debt restructure, equity restructure, co-operating business, merger, acquisition, joint venture, capital deduction, dissolution application, reforming application, bankruptcy application or other events could change its organization or system and legal status, and complies with repayment obligation agreed by the written consent of Party B, or provides new guarantees/ mortgages/ pledges accepted by Party B, otherwise Party A shall not carry out the aforesaid activities unless repayment under this agreement has been fully made.
- 11.12 Party A shall send a written notice to Party B within 3 days after the occurrence of the events, including but not limited to being announced to cease productions, suspend its business, be dissolved, be reformed, bankrupt, and other events could change its organization or system and legal status, and shall adopt adequate treatments to protect rights and interests of Party B.
- 11.13 Party A shall send a written notice to Party B within 3 days after the occurrence of any other event that might affect its own business operation or rights of Party B.

- 11.14 In the event Party A changes its address, legal representative, or have major changes in the management, it shall notify Party B in writing within 7 days after the occurrence of such changes.
- 11.15 Without written consent of Party B, Party A shall not sell certain assets, prepay other debts, or provide guarantees/ mortgages/ pledges to the third party before Party A fully repays the principal and interests of the loan.
- 11.16 Party A shall not enter into any agreement that would damage the interests and rights of Party B under this agreement.
- 11.17 In the event the guarantee/ mortgage/ pledge is provided, if the guarantor/ mortgagor/ pledgor violates its obligations or is incapable to provide such guarantee/ mortgage/ pledge, Party A shall provide new guarantee/ mortgage/ pledge.

Article 12 Right and Obligation of Party B

- 12.1 Party B is entitled to request Party A to provide relevant materials and information under this agreement.
- 12.2 Party B is entitled to monitor and supervise the use of loan, and inquire the business operation, financial condition and condition of guarantees/ mortgages/ pledges, and disputes.
- 12.3 Party B has the right to request Party A to open a settlement account with the lender, and to monitor such account in accordance to the terms mentioned in the agreement.
- 12.4 Under the conditions of not breaching the law, legislations and regulatory requirements, lender has the right to participate in material financing projects, as to protect Party A's right in recovering the loan.
- 12.5 Party B has the right to terminate the release of loan or call back the loan if Party A fails to fulfill the terms and conditions in the agreement.
- 12.6 Party B has the right to call back the loan if Party A recovers the loan before maturity.
- 12.7 Party B shall issue the loan if Party A fulfills all the obligations under this agreement.
- 12.8 Party B shall comply with its confidential obligations to the business, financial and production materials provided by Party A.
- 12.9 Party B should notify of any change of address.

Article 13 Breach Liability

- 13.1 In the event any party does not perform or partially perform its obligations under this agreement, it shall bear the breach liabilities.
- 13.2 In the event Party A or the guarantor/ mortgagor/ pledgor does not complete the guarantee/ mortgage/ pledge procedure, or does not conduct the drawdown procedure in accordance with the agreement, and the date to launch the loan has passed for 30 days, Party B is entitled to cancel the agreement and request Party A to prepay the launched loan.
- 13.3 In the event Party A is not in compliance with the agreement to repay the principal, it shall pay Party B the punitive interests calculated by the interest rate stipulated in this agreement plus 50% commencing the deferral date. Party A shall pay Party B the compound interest for the default interests during the term of the loan. In the event Party A does not repay the interest after the repayment of the loan is default, it shall pay compound interests calculated by the punitive interest rate under this agreement.
- 13.4 In the event Party A does not use the loan in compliance with the purpose, it shall pay Party B the punitive interests and compound interests calculated based on the interest rate stipulated in this agreement plus 100% as punitive interest rate against the breach amount of the principle and interests commencing the breach date.
- 13.5 In the event Party A defers to repay the loan or does not use the loan in compliance with the purpose, it shall pay deferral interests, punitive interests and compound interests calculated on a monthly basis.

- 13.6 Party A shall bear the legal expense, arbitration expense and other relevant expense incurred by Party B, due to the lawsuit against the breach of Party A.
- 13.7 Party B is entitled to declare that all issued loan shall become immediately due and the principal and interests of the issued loan shall be repaid by Party A and at the same time adopt corresponding measures, if one of the following events occur:
- 13.7.1 Party A does not comply with the purpose of using the loan, or not fully repay the principal, interests and other payments in accordance with the agreement;
- 13.7.2 Party A does not follow the agreed loan usage as specified in this agreement.
- 13.7.3 Party A exceeds the agreed financial indicator as specified in this agreement.
- 13.7.4 Party A does not withdraw loan in accordance with the terms specified in this agreement.
- 13.7.5 Party A does not comply with the terms specified in this agreement and purposely decentralizes loan withdrawal amount.
- 13.7.6 Party A provides Party B with false information, or omits material financial information;
- 13.7.7 Party A rejects Party B's inspection of the usage of the loan or monitoring of its production, operation and financial activities;
- 13.7.8 Party A uses the loan to make equity investments;
- 13.7.9 Party A uses the loan to conduct speculative businesses on securities, futures, real estates, or other illegal transactions;
- 13.7.10 Party A lends the loan to the other persons to make illegal profits;
- 13.7.11 Party A obtains the loan by fraudulence;
- 13.7.12 Party A and its related parties use fake agreements, note receivables, account receivables as pledge to obtain the loan from Party B;
- 13.7.13 Party A intends to breach its obligations to Party B through the related transactions;
- 13.7.14 Party A violates any representation or warranty of the agreements, in which it is one of the parties, and causes material breaches to other debts;
- 13.7.15 Any change of Party A's business model, organization or legal status, including but not limited to the outsource, lease, escrow, asset restructure, debt restructure, equity restructure, joint venture business, merger, acquisition, spin-off, capital reduction, dissolution application, reforming application, bankruptcy application, and Party A does not obtain the written consent of Party B and complies with repayment obligations in accordance with the agreement, or provides new guarantees/ mortgages/ pledges accepted by Party B;
- 13.7.16 The adverse changes occur to the guarantees/ mortgages/ pledges under this agreement, including but not limited to the loss or value decrease of the collaterals, or the guarantor/ mortgagor/ pledgor breaches any of its obligations and Party A is unable to provide new guarantee/ mortgage/ pledge requested by Party B;
- 13.7.17 The guarantee/ mortgage/ pledge agreement does not become effective, is void, or is cancelled, or the guarantor/ mortgagor/ pledgor partially or fully loses its ability to provide the aforesaid, or expressly states that it will not perform such obligations, or violates any obligation under the guarantee/ mortgage/ pledge agreement or the agreement entered into with the third party, and Party A does not provide new guarantee/ mortgage/ pledge requested by Party B;
- 13.7.18 Party A's representations and warranties are untrue, incorrect or contain material omission;
- 13.7.19 Party A expressly states or acts that it would not perform its obligations under the agreement;
- 13.7.20 During the loan period, Party A's debt to assets ratio exceeds 40%.
- 13.7.21 Party A violates other obligations under this agreement and Party B acknowledges such violation would affect its rights and interests under this agreement.
- 13.7.22 Information provided by Party A for loan withdrawal is false or Party A fails to comply with its commitments made upon loan withdrawal request.
- 13.8 After Party A meets all loan withdrawal criteria and completes all loan withdrawal procedures, if Party B fails to release the loan to Party A in 7 business days, Party A can claim punitive interests from Party B. Calculation of such interests shall follow Article 13.3 in this agreement.

Article 14 Effectiveness

This agreement becomes effective upon the execution.

Article 15 Transfer, Change and Cancellation

- 15.1 Party B may transfer rights and claims under this agreement in whole or in part to a third party without Party A's consent.
- 15.2 With written consent of Party B, Party A shall provide Party B with the written documents of the guarantor/ mortgagor/ pledgor agreeing to continue to provide such guarantee/ mortgage/ pledge, or provide new guarantor/ mortgagor/ pledgor to Party B, in order to transfer its debts under this agreement in whole or in part to a third party.
- 15.3 Any change to this agreement shall be reached through written consents of both parties.
- 15.4 In the event Party A requests to extend this agreement, it shall obtain Party B's consent and sign the extension agreement.
- 15.5 Party B is entitled to cancel this agreement and request the principal and interests of the loan to be prepaid, if one of the following events occurs:
 - 15.5.1 The operational and financial condition of Party A worsens, and it is unable to repay the debts when due, or it involves material lawsuits which adversely affect the repayment of the debts.
 - 15.5.2 The credit condition, business operation and financial condition of the corporate group customers of Party A materially worsen, and cause material adverse effects to Party B's interests and rights to the loan.
 - 15.5.3 Party A's business is suspended, or it is dissolved, or its business license is withdrawn.
 - 15.5.4 Other events causing material damages to the rights and interests of Party B under this agreement occur.

Article 16 Dispute Resolution

Article 17 Miscellaneous

Party A: Beijing Jiachenhong Biological Technologies, Co., Ltd.
Legal Representative: Ms. Ting Zheng (with signature and corporate seal)

Party B: Huaxia Bank, Beijing Xiushui Branch
Legal Representative/ Responsible Person: [] (with signature and corporate seal)

Execution Date: April 30, 2010

CordLife (Hong Kong) Ltd

and

China Cord Blood Corporation

Marketing Collaboration Agreement

This Marketing Collaboration Agreement (“Agreement”) is dated the date specified on the execution page of this Agreement.

CordLife (Hong Kong) Ltd (“CordLife HK”), whose business registration number is [31006823] and address is Unit G11-12 & 15, G/F., Biotech Centre 2, No.11 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong;

AND

China Cord Blood Corporation (“CCBC”), whose business registration number is [51606180], and address is 48/F Bank of China Tower, 1 Garden Road, Hong Kong;

WHEREAS

- A. CordLife HK offers services of cord blood stem cell collection, processing, testing and storage services to citizens of China giving birth in Hong Kong and their new born baby (defined below as "CordLife HK Services").
- B. CCBC agrees to use and authorise its sales resources and sales team in the People's Republic of China to assist CordLife HK to promote its services within the Agreed Territory of the People's Republic of China in accordance with the terms and conditions of this Agreement. Further, CordLife HK agrees to cooperate with CCBC and CCBC's subsidiary companies in the People's Republic of China in accordance with the terms and conditions of this Agreement.

NOW IT IS HEREBY AGREED as follows:-

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, the following definitions apply unless the context requires otherwise:

Claim means any cost resulting from any action, claim, suit, demand, loss, liability or damage;

Cord Blood Sample means a sample of blood of the umbilical cord collected during the birth of a new born baby, or the special blood component of a sample of blood of the umbilical cord prepared, tested or stored by CordLife HK;

Client means birth mother who has successfully signed a formal service agreement with CordLife HK and stored the Cord Blood Sample with CordLife HK;

Potential Client means any adult woman who is pregnant and wishes to give birth in Hong Kong and store the cord blood with CordLife HK in Hong Kong;

Cost means any cost, expense, charge, payment or other expenditure of any nature whether direct, indirect or consequential and whether accrued or paid;

Laws means all laws, cases, administrative laws, administrative regulations, ordinances, rules, statutes, decrees and policies of the People's Republic of China and the Hong Kong Special Administrative Region;

Maternal Blood Sample means a sample of blood taken from the birth mother or the special blood component of such sample of blood in respect of whom the Cord Blood Sample has been taken;

Party means CordLife HK or CCBC;

Parties means CordLife HK and CCBC;

CordLife HK Services means the services provided by CordLife HK to collect, process, test and store its Clients' Cord Blood Sample in Hong Kong.

Referral Services means Agency Services and Intermediary Services provided for the promotion and marketing of CordLife HK Services in the Agreed Territory by the sales team of CCBC's subsidiary company in the People's Republic of China, which CCBC designated and authorised in accordance with the terms and conditions of this Agreement.

Agency Services means the services of negotiating with Potential Clients regarding the acceptance of CordLife HK Services, providing the form of intention to Potential Clients for signing and accepting deposits on behalf of CordLife (depending on the choice of the client), which CCBC, directly or indirectly through any of its subsidiaries, (as a party with Delegation Right) is authorised to carry out or may from time to time be authorised to carry out under with this Agreement, for the purpose of achieving the aims of this Agreement;

Intermediary Services means the services of introducing CordLife HK to Potential Clients, collecting and organising information regarding Potential Clients for CordLife HK and procuring Potential Clients to sign the form of intention and/or formal contract of service, to be carried out CCBC (as a party with Delegation Right), as instructed by CordLife HK;

Delegation Right means the right of CCBC to delegate rights authorised to CCBC under this Agreement to its subsidiary companies in the People's Republic of China. The Delegation Right is limited to rights authorised to CCBC for the provision of Agency Services and Intermediary Services;

Fees means any fees payable by CordLife HK to CCBC according to the Clause 3 of this Agreement.

CCBC Subsidiary means the subsidiary company chosen by CCBC in its absolute discretion pursuant to this Agreement for, through the Delegation Right, the provision of Referral Services to CordLife HK;

Agreed Territory means The People's Republic of China, for the purpose of this Agreement, excluding the Hong Kong Special Administrative Region of PRC, Macau Special Administrative Region of PRC and Taiwan Province of PRC.

2. OBLIGATIONS AND RESPONSIBILITIES OF CCBC

2.1 General Obligations

General obligations of CCBC

CCBC should choose an appropriate subsidiary company (CCBC Subsidiary) for the exercise of its Delegation Right and procure the performance of, by the CCBC Subsidiary, Agency Services and Intermediary Services under Clause 2.2 and Clause 2.3.

CCBC should exercise its Delegation Right in favour of an appropriate subsidiary (CCBC Subsidiary) for the provision of Agency Services and Intermediary Services in accordance with the following:

- 2.1.1 The CCBC Subsidiary shall promote and market CordLife HK Services within the province (autonomous region, municipality) in which it was incorporated, pursuant to the terms of this Agreement and the instructions of CordLife HK.
- 2.1.2 To promote CordLife HK's Services, the CCBC Subsidiary may be required from time to time during the term of this Agreement to be engaged in advertising activities to pregnant women in relation to cord blood storage on behalf of CordLife HK based on CordLife HK's needs, and CCBC Subsidiary will assist CordLife HK in conducting marketing activities in its discretion. For the avoidance of doubt, CordLife HK confirms that it will be responsible for all costs and expenses incurred in relation to the abovementioned advertising, communications and public relations services.

- 2.1.3 For the avoidance of doubt, all Parties unanimously agree and confirm that the CCBC Subsidiary is the agent of CordLife HK pursuant to the terms of this Agreement to represent CordLife HK to conduct promotional activities for storage services to Potential Clients on behalf of CordLife HK so as to provide Agency Services for CordLife HK and to act as an intermediary party to provide Intermediary Services for CordLife HK to facilitate the execution of formal service agreements between Potential Clients and CordLife HK.

2.2 Responsibilities of the CCBC Subsidiary

- 2.2.1 comply with all applicable laws and regulations in relation to obtaining all necessary consents, permits, licences and accreditations for providing Referral Services to CordLife HK;
- 2.2.2 assist CordLife HK in holding regular public talks or seminars within the area of the province of the CCBC Subsidiary to recruit Potential Clients specially for CordLife HK (the CCBC Subsidiary may assist by providing sufficient manpower. CordLife HK shall be responsible for any reasonable event charges that have been agreed and approved by CordLife HK in writing prior to the event and incurring costs);
- 2.2.3 arrange employees of the CCBC Subsidiary to attend trainings as may be required by CordLife HK from time to time all at CordLife HK's costs;
- 2.2.4 properly explain to Potential Clients the procedure of cord blood storage with CordLife HK by strictly following the instructions and information provided by CordLife HK, unless CCBC or the CCBC Subsidiary has sufficient reasons to query that the instructions, information and procedure provided by CordLife HK are inaccurate and in error leading to the bodies or health of Clients or cord blood owners being improperly or inappropriately harmed, or unless the instructions or information provided by CordLife HK will lead to great adverse effect to the reputation, existing business development and regulated operations of CCBC and/or the CCBC Subsidiary, or lead to the creation of any competition;
- 2.2.5 collect and provide to CordLife HK, in accordance with CordLife HK's standard procedures and in respect of each of the Potential Clients, the following information:-
- (i) valid Chinese and English full name of the Potential Client;
 - (ii) Potential Client's PRC resident identification number;
 - (iii) telephone number and e-mail address of the Potential Client; and
 - (iv) the Potential Client's estimated delivery date and hospital.

On or before collecting the information from a Potential Client, the CCBC Subsidiary shall explain to the Potential Client the purposes for which the information are to be used, and that the information will be transferred to CordLife HK.

- 2.2.6 The CCBC Subsidiary shall actively procure Potential Clients to complete a registration form of intention to confirm her intention to deliver her baby in Hong Kong and subscribe to the CordLife HK Services, and return the form to CordLife HK (to be collected by the subsidiary company specified by CCBC). Such forms have the nature of an agreement of intention and shall be binding on CordLife HK;
- 2.2.7 to facilitate the transaction, the CCBC Subsidiary shall procure the payment of a deposit of RMB1,000 to CordLife HK, to be collected by the CCBC Subsidiary on behalf of CordLife HK. The CCBC Subsidiary shall issue receipts in the name of CordLife HK, one to Potential Clients, one to be kept by itself and one to be sent to CordLife HK for conducting registration audit (except the situation where Potential Clients breach the agreements by not signing formal agreements, such deposits will only be used to guarantee and urge Potential Clients to sign formal service agreements and the deposit is refundable. After Potential Clients sign formal written service agreements with CordLife HK, the CCBC Subsidiary shall use appropriate methods to refund deposits to Clients in accordance with the written instructions of CordLife HK).
- 2.2.8 provide written information (such information is prepared by CordLife HK and provided to the CCBC Subsidiary) to Potential Clients, notifying Clients the office address, contact person and contact method of CordLife HK, and notifying Clients of the need to register at CordLife HK's office and pay registration fees at an appropriate time before giving birth;
- 2.2.9 inform CordLife HK of any enquires and complaints from Clients or Potential Clients in respect of CordLife HK Services that it is aware of;
- 2.2.10 unless prior authorisations or instructions of CordLife HK have been obtained, inform and get approval from CordLife HK for and prior to engaging in any promoting and marketing activities for and in respect of CordLife HK and/or CordLife HK Services.
- 2.2.11 in the event that the deposit paid by the Potential Client becomes unrefundable as a result of the client's failure to enter into a formal agreement with CCBC Subsidiary, CordLife HK agrees to grant CCBC Subsidiary the ownership right of such deposit, provided that such deposit shall only be used in promoting and/or marketing CordLife HK Services. CCBC Subsidiary shall provide a written statement on the use of such deposit to CordLife HK on a quarterly basis.

2.3 Restrictions

The CCBC Subsidiary Shall not:-

- (a) during the terms of this Agreement simultaneously act as an agent of an organisation or an individual which constitutes competition with CordLife HK in Hong Kong and provides services with contents identical or similar to those of CordLife HK Services;
- (b) utilise any material which has not been approved by CordLife HK in writing in promoting, marketing and/or selling CordLife HK Services or otherwise in carrying out its responsibilities as stated in this Agreement;
- (c) promise or assure Clients or Potential Clients with additional services which are not listed in CordLife HK's promoting, marketing or selling materials, unless such additional services have been approved by CordLife HK in writing;
- (d) intentionally do any act which should not be performed under this Agreement, or omit to do any act which should be performed under this Agreement, as a result of which will attract adverse publicity or will adversely affect the reputation and image of CordLife HK and/or any group companies of CordLife HK;
- (e) disclose any information about any Client or Potential Client to any third party which is in competition with CordLife HK without CordLife HK's approval.

The CCBC Subsidiary shall make sure that its employees and agents who are involved in the provision of Referral Services fully observe the obligations, responsibilities and restrictions set out in this Agreement.

To avoid ambiguities, all Parties unanimously agree and confirm that CCBC or the CCBC Subsidiary shall not be responsible to any entity or individual for the scientific, effective or normative characters of ways, methods, quality, effects and technical procedures provided by CordLife HK, including but not limited to jointly guaranteed liability, quality of service liability, infringement liability, professional advisers' liability, breach of contract liability or other legal responsibility.

To avoid ambiguities, all Parties unanimously agree and confirm that CCBC shall not guarantee or assure CordLife HK, on behalf of any Client, whether a Client will sign a formal agreement with CordLife HK, whether a Client will pay all fees and whether a the quality of a Client's Cord Blood Sample complies with storage conditions etc.

3. OBLIGATIONS AND RESPONSIBILITIES OF CORDLIFE HK

3.1 General Obligations

CordLife HK must comply with all applicable laws and standards in relation to the procurement, labelling, handling, processing, transport, storage and collection of each Cord Blood Sample and each Maternal Blood Sample.

3.2 Responsibilities of CordLife HK

CordLife HK shall:-

- (a) ensure that it possesses all necessary qualifications, certificates, licences, approvals to provide the services of storing cord blood to Potential Clients (whether such qualifications, certificates, licences and approvals are issued in accordance with the laws of the People's Republic of China or the laws of the Hong Kong Special Administrative Region), and that the fulfilling of rights and obligations of this Agreement will not be in breach of the laws of the Hong Kong Special Administrative Region or other applicable jurisdiction;
- (b) the term for which CordLife HK has to provide umbilical cord blood stem cell storage services for Clients shall be 18 years;
- (c) provide the CCBC Subsidiary with materials, as agreed between the Parties, for promoting, marketing and selling CordLife HK Services including leaflets and educational brochures;
- (d) provide to CCBC or the CCBC Subsidiary training, as agreed between the Parties, on how to promote, market and sell CordLife HK Services as it deems fit;
- (e) confirm that the promotional information and training activities provided are true, accurate and detailed, and shall confirm that the contents of the promotional information and training satisfy in all aspects the necessary technical standards and technical procedures as required in the collection, testing, preparation, storing and clinical application of umbilical cord blood, do not contain any false, fraudulent, exaggerating or misleading contents and do not create any adverse effect to the goodwill and reputation of CCBC and/or the CCBC Subsidiary. The contents of the promotional information or training provided shall not contain (and that CCBC or the CCBC Subsidiary shall not be requested to declare or promote to Potential Clients) the following contents or contents to similar effect:

- (1) The medical treatment conditions, facilities or standards of obstetrics and gynaecology in the People's Republic of China are worse than those of the medical institutions of the Hong Kong Special Administrative Region and hence it is safer and better to give birth in the Hong Kong Special Administrative Region;
- (2) The technical standards, conditions of facility and quality of service of institutions providing services of storage of umbilical cord blood stem cell in the People's Republic of China are worse than those of the Hong Kong Special Administrative Region or abroad and hence it is safer and better to store umbilical cord blood in the Hong Kong Special Administrative Region; or other similar contents or contents creating similar effect;
- (f) confirm its instructions to the CCBC Subsidiary for conducting promotional activities will not cause disruption, competition or other adverse effect to the own business development of CCBC or the CCBC Subsidiary; CCBC only has the obligation to treat those pregnant women who have indicated their decision to give birth in the Hong Kong Special Administrative Region as Potential Clients and to oversee the promotional activities;
- (g) be responsible for all the legal responsibility and economic consequences of promotional activities conducted by CCBC or the CCBC Subsidiary pursuant to this Agreement;
- (h) provide facilitation to the signing of agreements by Potential Clients and be responsible for all the consequences of Potential Clients being unable to form binding agreements with CordLife HK, including the possible risk of CCBC or the CCBC Subsidiary bearing the loss as a result of Potential Clients demanding the return of double deposits;
- (i) not provide information of any Clients or Potential Clients to any third parties;
- (j) pay fees to CCBC according to the formula set out in Clause 3.3 below and in payment terms set out in Clause 3.4 below.

3.3 Calculation of Fees

- 3.3.1 Every Potential Client referred to CordLife HK by CCBC or the CCBC Subsidiary shall be considered successful when the CCBC Subsidiary fulfils all of the following three obligations, which can be verified, pursuant to this Agreement ("Successful Referral"):

- (i) The CCBC Subsidiary collected information regarding the Potential Client's identity and contact details pursuant to Clause 2.2.5 of this Agreement and delivered, in a written report, such information to CordLife HK;
- (ii) The CCBC Subsidiary procured the Potential Client to sign a registration form of intention pursuant to Clause 2.2.6 of this Agreement, and, on behalf of CordLife HK, distributed and collected such forms, and delivered such forms to CordLife HK ;
- (iii) The CCBC Subsidiary procured the Potential Client to pay the deposit to itself pursuant to Clause 2.2.7 of this Agreement, collected such deposit on behalf of CordLife HK and provided details of the collection of deposits per month to CordLife HK;

For the abovementioned Successful Referrals, CordLife HK shall pay CCBC HK\$1,100 through the payment method stipulated in Clause 3.4 of this Agreement as the Fee for the Successful Referrals.

- 3.3.2 Every Potential Client referred to CordLife HK by CCBC or the CCBC Subsidiary shall be considered effective when the CCBC Subsidiary collected information regarding the Potential Client's identity and contact details pursuant to Clause 2.2.5 of this Agreement and delivered, in a written report, such information to CordLife HK ("Effective Referral"). For each Effective Referral, CordLife HK shall pay CCBC HK\$110 through the payment method stipulated in Clause 3.4 of this Agreement as the Fee for the Effective Referral.

For the avoidance of doubt, CCBC or the CCBC Subsidiary does not give any guarantee in relation to whether Potential Clients will enter into a formal agreement with CordLife HK, or whether the Maternal Blood Sample or Cord Blood Sample complies with collection or storage conditions. Factors or situations outside of Clause 3.3.1 and Clause 3.3.2 of this Agreement shall not affect the Fees the CCBC Subsidiary shall receive from CordLife HK pursuant to this Agreement.

3.4 Payment Terms of Fees

3.4.1 Submission and confirmation of information regarding Potential Clients

CCBC shall no later than the 10th working day of each month send to CordLife HK by email a statement setting out the number of Successful Referrals and Effective Referrals of the previous month, and a list of the Potential Clients involved. The statement shall also set out the amount of Fees payable by CordLife HK calculated in according to the formula set out in Clause 3.3.1 and Clause 3.3.2. After CordLife HK confirms that the information collected pursuant to Clause 3.3.1 is accurate, CordLife HK shall by a written reply within 10 days of receipt of the aforementioned statement confirm the list of names of Potential Clients, number of Successful Referrals, number of Effective Referrals and the amount of Fees payable.

3.4.2 Settlement and payment of Fees

The Parties agree to calculate and settle Fees using quarter as unit pursuant to the standard set out in Clause 3.3.1 and Clause 3.3.2 of this Agreement. CordLife HK shall, for each quarter, send to CCBC by email a report within the first 10 days of the quarter, enclosing a "Fee Settlement List". The "Fee Settlement List" shall set out the number of Successful Referrals and Effective Referrals and the amount of Fees payable (as verified by the Parties) for that quarter. The format of the "Fee Settlement List" is confirmed initially as:

Applicable situation	Number	Fees payable (HK\$)
Successful Referrals	a	a*1100
Effective Referrals	b	b*110
Total		G

CCBC shall complete verification and confirmation of the abovementioned list within 10 days of receipt.

If the Parties dispute about the abovementioned situation or Fees, the Parties shall promptly negotiate or settle the dispute through means acceptable to both Parties; in relation to Fees not in dispute, CordLife HK shall pay that quarter's Fees (G) into a bank account designated by CCBC within 10 days of receiving written confirmation from CCBC.

4. CONFIDENTIALITY

Each of the Parties undertake that, as of the Date of Execution of this Agreement, it shall not and shall procure that each of its associated corporate bodies, directors, shareholders, employees and agents not to disclose any information concerning the terms of this Agreement, and/or any other confidential information of business, commercial, financial and/or technical nature obtained from the other Party during the negotiations of this Agreement and/or the term of this Agreement. Breach of this covenant by one Party shall entitle the other Party to receive adequate compensation for damages caused by such breach. This clause shall not apply to disclosure required by applicable law and/or for procedure of internal approval of the Agreement by each of the Parties.

Since the information regarding Client's identity and contact information is collected, gathered and organised by the CCBC Subsidiary in the People's Republic of China, such information is subject to the laws of the People's Republic of China. According to the criminal law of the People's Republic of China, CordLife HK, CCBC and the CCBC Subsidiary shall not, for gaining profit, sell, transfer, disclose or provide information regarding Client's identity, contact information and privacy for any purposes other than for this Agreement (otherwise, relevant criminal responsibility may have to be borne). If any Party breaches the abovementioned agreement and applicable laws, such Party shall bear relevant legal responsibility pursuant to applicable laws and bear responsibility for the payment of damages. The party in breach shall be responsible for the payment of full and complete damages to a non-breaching party in the event that a non-breaching party suffers losses, and the party in breach must take all possible rectification measures to ensure that the non-breaching party does not suffer economic or reputation damage.

5. FORCE MAJEURE

Neither Party shall not be liable for failure to fulfil its obligations to the extent that failure is caused (directly or indirectly) by flood, communications failure, extreme weather, fire, mud slide, earthquake, or other natural calamity causing interruption in water, electricity, heating or air conditioning (depending on the season), riots, civil disorders, rebellions or revolutions, acts of governmental agencies, quarantines, embargoes, malicious acts of third parties, labour disputes affecting a Party and for which it is not responsible, or similar causes beyond the control of the either Party.

6. INTELLECTUAL PROPERTY

CordLife HK and/or the group companies of CordLife HK confirm that they own and/or have legally acquired the intellectual property rights in the materials provided to the CCBC Subsidiary for promoting, marketing and selling CordLife HK Services. The CCBC Subsidiary shall not reproduce the materials without CordLife HK's written consent or otherwise infringe the intellectual property rights of CordLife HK and CordLife HK's group companies.

Further, any Party shall not use any logo, name, trademark and/or brand of another Party in any manner or for any purpose which has not been approved by the other Party.

7. INDEMNITY

CCBC agrees to indemnify and keep indemnified CordLife HK against any Claim, Cost, and damages of any kind, suffered or incurred by CordLife HK resulting from, arising out of, or in connection with any breach of its undertakings and the restrictions in Clauses 2.2 and 2.3, or other breach, misrepresentation or misconduct by CCBC.

CordLife HK agrees to indemnify and keep indemnified CCBC or the CCBC Subsidiary against any Claim, Cost, and damages of any kind, suffered or incurred by CCBC or the CCBC Subsidiary resulting from or arising out of any breach of its undertakings in Clauses 3.1 and 3.2 or any other breach, misrepresentation or misconduct of CordLife HK.

All Parties agree that the promotional activities conducted by the CCBC Subsidiary in the People's Republic of China pursuant to this Agreement are the agent's acts authorised by CordLife HK, unless the CCBC Subsidiary performs acts which are beyond authorisation. CordLife HK shall bear the responsibility of the consequence of all such acts conducted within the scope of authorisation. The CCBC Subsidiary has the right to let Potential Clients know about the agency position of the CCBC Subsidiary and its scope of responsibility in an appropriate format. Notwithstanding the said provisions, CordLife HK agrees it will not claim any responsibilities for CCBC Subsidiary's unauthorized actions in connection herewith.

8. CHANGE OF LAWS

If there is a change in any Law or Regulation, which would cause either Party to breach this Agreement, either Party may terminate this Agreement immediately by written notice to the other Party.

CordLife HK shall use reasonable commercial efforts to promptly inform CCBC of any changes to laws and regulations in HK relating to delivery in HK for parturient from Mainland China, cord blood collection, frozen and storage services, or any other laws and regulations in HK relating to CordLife HK Services or the Referred Services.

9. GOVERNING LAW

This Agreement is governed by the Laws of the Hong Kong Special Administrative Region. Any dispute arising from this Agreement shall be resolved through friendly negotiations. If the dispute cannot be resolved through friendly negotiations within 30 days, then either Party may submit the dispute to the Hong Kong International Arbitration Centre for determination by arbitration, and arbitration decision shall be final and binding.

10. DURATION AND TERMINATION

- 10.1 This Agreement shall be effective on the date of signing. This Agreement will commence on its effective date and will continue in force unless terminated pursuant to Clause 8 above or in accordance with Clause 10.2 below.
- 10.2 This Agreement may be terminated by either Party without cause by giving one months' prior written notice to the other Party. CordLife HK shall calculate and settle all payable and actual payable Fees to CCBC before the termination of this Agreement.
- 10.3 The termination of this Agreement for whatever cause shall be without prejudice to any rights and obligations of the Parties. However, clauses of 4, 6 and 7 remain in force after the termination of this Agreement.
- 10.4 Upon the expiration or termination of this Agreement, the CCBC Subsidiary shall immediately and within 30 days return to CordLife HK any and all materials provided by CordLife HK to it pursuant to this Agreement, any information, registration forms of intention, and any other documents collected by the CCBC Subsidiary for CordLife HK pursuant to this Agreement, without retaining any of the information or any copies or originals of the documents.
- 10.5 Upon the expiration or termination of this Agreement, or upon the request of the disclosing Party, the receiving Party shall return, or at the disclosing Party's option destroy, all Confidential Information of the disclosing Party in the receiving Party's possession (including without limitation, any copies thereof and/or any electronic or other non-returnable embodiments of the Confidential Information).

11. RELATIONSHIP OF PARTIES

Nothing in this Agreement, and no action taken by the Parties pursuant to this Agreement, shall constitute, or be deemed to constitute, a partnership between the Parties, or shall constitute either Party as the employee of the other. Save where expressly stated in this Agreement, neither Party shall have the authority to make representations, act in the name or on behalf of or otherwise bind the other Party.

12. NOTICES

- 12.1 Any notice required to be given under this Agreement may be delivered personally or sent by mail, courier or transmitted by fax or email to the other Party at the address of that Party set out below (or at or to such other address as may be subsequently notified by one Party to the other in writing):-

CordLife (Hong Kong) Ltd

Address: Unit G11-12 & 15, G/F, Biotech Centre 2, No. 11 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong

Attention: Ms. Emily Cheung

Fax: 852-25118882

Email: emily.cheung@cordlife.com

China Cord Blood Corporation

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

Attention: Ms. Rui Arashiyama

Fax: 852-36058103

Email: rlanshan@chinacord.org

12.2 Any notice so sent shall be deemed to have been duly given:

- (i) if sent by personal delivery or courier, on delivery at the address of the relevant Party and valid receipt signed by the relevant Party;
- (ii) if sent by mail, after receipt of the item sent is acknowledged by signing;and
- (iii) if sent by fax or email, on confirmation of transmission.

13. MISCELLANEOUS

13.1 Provided that CordLife HK is informed, the CCBC Subsidiary may in its sole discretion, through its Delegation Right further delegate the relevant tasks for performing Referral Services to relevant cooperative medical institutions or medical staff, or display and place advertising materials in the cooperative medical institutions, or distribute advertising materials in the medical institutions, or promote Referral Services at the medical institutions, or carry out Referral Services under the assistance of cooperative medical institutions or medical staff. CCBC would bare the responsibility of compensation to CordLife HK for damages or lost caused by cooperative medical institutions or medical staff who promote Referral Services beyond scope of Delegation Right in this agreement or violate terms in this agreement.

- 13.2 This Agreement is written and executed in 6 copies, 3 in the Chinese language and 3 in the English language. All languages shall have the same effect, provided that in case of discrepancy, the Chinese version shall prevail.
- 13.3 After signing this Agreement, in the event that the Agreement needs to be revised, written consent from all Parties is required.

此协议于 2011 年 5月18日 签署

EXECUTED AS AN "AGREEMENT" on 18th May 2011

China Cord Blood Corporation

China Cord Blood Corporation

Rui Arashiyama
 授权人签署
 Signature of Authorised Person

Representative of CCBC
 授权人职称
 Position of Authorised Person

Rui Arashiyama
 (打印) 授权人姓名
 (Print) Name of Authorised Person

蓝一强
 见证人签署
 Signature of Witness

 见证人职称
 Position of Witness

蓝一强
 (打印) 见证人姓名
 (Print) Name of Witness

康盛人生(香港)有限公司执行

EXECUTED BY CORDLIFE (HONG KONG) LTD

[Signature]
 授权人签署
 Signature of Authorised Person

General Manager
 授权人职称
 Position of Authorised Person

Emily Cheung
 (打印) 授权人姓名
 (Print) Name of Authorised Person

[Signature]
 见证人签署
 Signature of Witness

Director
 见证人职称
 Position of Witness

Simon Lee
 (打印) 见证人姓名
 (Print) Name of Witness

List of Subsidiaries

Name	Jurisdiction
China Cord Blood Services Corporation	Cayman Islands
China Stem Cells Holdings Limited	Cayman Islands
Beijing Jiachenhong Biological Technologies Co., Limited	People's Republic of China
China Stem Cells (South) Company Limited	British Virgin Islands
Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd.	People's Republic of China
China Stem Cells (East) Company Limited	British Virgin Islands
China Stem Cells (East) Company Limited	Hong Kong
China Stem Cells (North) Company Limited	British Virgin Islands
Favorable Fort Limited	Hong Kong
Jinan Baoman Science & Technology Development Co., Ltd	People's Republic of China
Zhejiang Lukou Biotechnology Co., Ltd	People's Republic of China

**Certification
Pursuant to Rule 13a-14(a) of the Exchange Act**

I, Ting Zheng, certify that:

1. I have reviewed this annual report on Form 20-F of China Cord Blood Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 28, 2011

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer
(Principal Executive Officer)

**Certification
Pursuant to Rule 13a-14(a) of the Exchange Act**

I, Albert Chen, certify that:

1. I have reviewed this annual report on Form 20-F of China Cord Blood Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 28, 2011

By: /s/ Albert Chen
Name: Albert Chen
Title: Chief Financial Officer
(Principal Financial and
Accounting Officer)

Certification
Pursuant to 18 U.S.C. Section 1350

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of China Cord Blood Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended March 31, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHINA CORD BLOOD CORPORATION

September 28, 2011

By: /s/ Ting Zheng
Name: Ting Zheng
Title: Chief Executive Officer
(Principal Executive Officer)

September 28, 2011

By: /s/ Albert Chen
Name: Albert Chen
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Consent of Independent Registered Public Accounting Firm

The Board of Directors

China Cord Blood Corporation:

We consent to the incorporation by reference in the registration statement (No. 333-168873) on Form F-3, as amended, of China Cord Blood Corporation (the "Company") of our reports dated September 27, 2011, with respect to the consolidated balance sheets of the Company as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the years in three-year period ended March 31, 2011, and the effectiveness of internal control over financial reporting as of March 31, 2011, which reports appear in the March 31, 2011 annual report on Form 20-F of the Company.

Our report dated September 27, 2011 on the consolidated financial statements contains an explanatory paragraph that states the Company completed a share exchange with China Cord Blood Services Corporation ("CCBS") on June 30, 2009 and the share exchange has been accounted for financial reporting purposes as the issuance of securities by CCBS in exchange for the assets and liabilities of the Company, accompanied by a recapitalization. The consolidated financial statements of the Company reflect CCBS's assets and liabilities at their historical carrying amounts. The results, assets and liabilities of the Company presented in its consolidated financial statements for periods prior to the completion of the share exchange are those of CCBS.

/s/ KPMG
Hong Kong, China

September 28, 2011
