



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

(Incorporated in the Cayman Islands with limited liability)



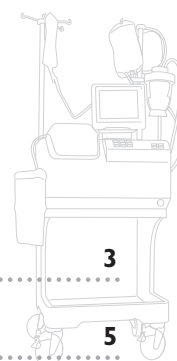
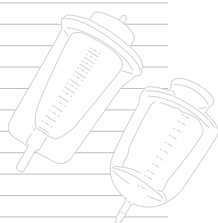
Annual Report 2001/2002

Your life's blood is our life's work
精益求精、至愛至誠



Contents

Corporate Information	3
Summary of Financial Information	5
Chairman's Statement	6
Management Discussion and Analysis	10
Use of Proceeds From the Placing	14
Comparison of Business Objectives with Actual Business Progress	15
Biographical Details of Directors and Senior Management	16
Report of the Directors	19
Report of the Auditors	25
Consolidated Income Statement	26
Consolidated Statement of Recognised Gains and Losses	27
Consolidated Balance Sheet	28
Balance Sheet	30
Consolidated Cash Flow Statement	31
Notes on the Financial Statements	33
Financial Summary	59
Notice of Annual General Meeting	61



Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")

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

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

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

Corporate Information

Executive Directors Kam Yuen (Chairman)
Chau Mei Chun (Vice Chairman)
Lu Tian Long
Jin Lu
Zheng Ting

Non-executive Director Leung Shi Wing

Independent Non-executive Directors Gao Zongze
Gu Qiao

Registered office Trulaw Corporate Services Ltd.
P.O. Box 866 GT, 3rd Floor
Anderson Square Building
Shedden Road, George Town
Grand Cayman, Cayman Islands
British West Indies

Head office and principal place of business in the PRC Room 1006, Tower B COFCO Plaza
No. 8 Jianguomennei Avenue
Beijing
PRC

Principal place of business in Hong Kong Suite A, 36/F
Bank of China Tower
Central
Hong Kong

Stock code 8180

Qualified Accountant and Company Secretary Kong Kam Yu, ACA, AHKSA

Compliance Officer Kam Yuen

Audit Committee Members Gao Zongze (Chairman)
Gu Qiao

Authorised Representatives Kam Yuen
Chau Mei Chun

Sponsor **ICEA Capital Limited**
42nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Company *as to Hong Kong law*
Jones, Day, Reavis & Pogue
31st Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law
C & I Partners
Suite 609, Office Tower I
Henderson Centre
18 Jiauguomen Nei Street
Beijing 100005
PRC

as to Cayman Islands law
Truman Bodden & Company
5/F, Anderson Square Building
Shedden Road
George Town
Grand Cayman
Cayman Islands
British West Indies

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

Principal share registrar and transfer office in Cayman Islands Trulaw Corporate Services Ltd.
P.O. Box 866 GT, 3rd Floor
Anderson Square Building
Shedden Road, George Town
Grand Cayman, Cayman Islands
British West Indies

Branch share registrar and transfer office in Hong Kong Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

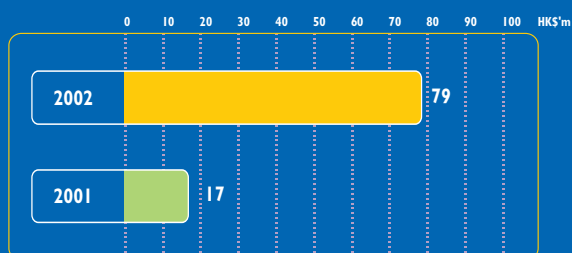
Principal bankers The Industrial and Commercial Bank of
China - Beijing Branch
Fang Zhuang sub-branch
10 Hong Da Lu
Beijing Economic - Technological
Development Area
Beijing
PRC

Bank of China (Hong Kong) Limited
131-133 King's Road
North Point
Hong Kong

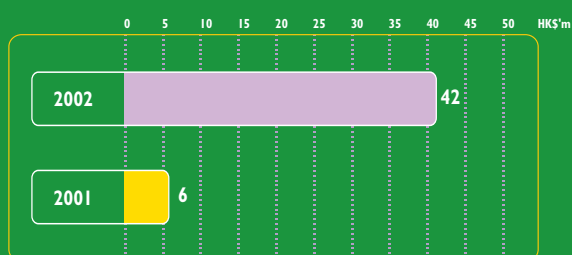
Public relations consultants Strategic Financial Relations
(China) Limited
Unit A, 29/F
Admiralty Centre I
18 Harcourt Road
Hong Kong

Summary of Financial Information

Turnover



Net Profit



5

Operating results

Turnover
Gross profit
Net profit
Gross profit margin
Net profit margin
Earnings per share

Financial position

Total assets
Cash and bank balances
Shareholders' funds

Financial ratios

Gearing ratio
Current ratio

Operating data

Machines
Disposable Chambers

2002
HK\$'000

2001
HK\$'000

% Change

78,597
56,493
41,593
72%
53%
HK12.7 cents

16,983
11,414
5,841
67%
34%
HK1.9 cents

363%
395%
612%
7%
56%
568%

195,494
54,869
179,110

57,919
22,824
5,704

238%
140%
3,040%

NIL
7.0

29%
1.0

(29%)
600%

636 sets
16,672 units

113 sets
7,431 units

463%
124%

Chairman's Statement



On behalf of the directors (the "Directors") of Golden Meditech Company Limited (the "Company"), I am pleased to present the first annual results of the Company and its subsidiaries (collectively referred to as the "Group") since its successful listing on GEM on 28 December 2001. Net proceeds of approximately HK\$78 million were raised by the new issue of 115 million shares (including

15 million shares issued upon the exercise of over-allotment option due to overwhelming demand) to institutional investors (the "Placing"). I believe the successful listing not only marked a major milestone in the Group's development but also accelerated its business growth.

COMPANY PROFILE

The Group is the first enterprise and sole hi-tech enterprise approved by the State Drug Administration Bureau (the "SDA") to produce the autologous blood recovery system, ZITI-2000 ABRS, comprising autologous blood recovery machines (the "Machines") and disposable blood processing chambers (the "Disposable Chambers"). The ZITI-2000 ABRS collects the blood lost during surgical operation, cleanses it and re-infuses it back into the patient. The Group targets ZITI-2000 ABRS solely to the China market which faced a severe blood shortages in recent years. The board of Directors (the "Board") believe that ZITI-2000 ABRS could alleviate the growing blood demand in the PRC. Apart from this ZITI-2000 ABRS, the Group also engages in the research and development of several advanced blood-related medical equipment.



OPERATING RESULTS

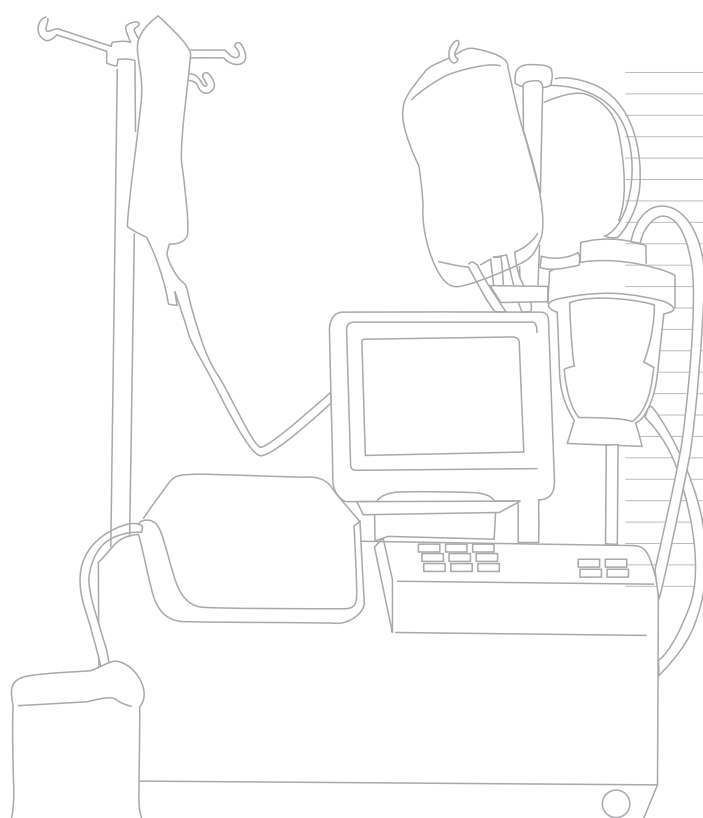
For the year ended 31 March 2002, the Group recorded a turnover of approximately HK\$79 million (2001: HK\$17 million). Profit attributable to shareholders was approximately HK\$42 million (2001: HK\$6 million). The significant increase in the Group's turnover and profit attributable to shareholders is mainly attributable to the growing demands for the Group's ZITI-2000 ABRS.

Overall, gross profit margin grew to 72%, as compared to last year's 67%. Net profit margin increased to 53% as compared to last year's 34%.

INDUSTRY OVERVIEW

The current annual blood demand in the People's Republic of China (the "PRC") for medical purposes amounts to approximately 1,300 tons. The figure increases at an annual rate of 7%. However, compared to other developed countries, China is in severe blood shortage because of cultural differences and misconceptions of blood donation among the general public. Before the introduction of the PRC's Blood Donation Law (the "Blood Donation Law") in October 1998, blood sellers represented over 85% of the country's total blood supplies. The quality of blood from blood sellers was very poor as the blood was sometimes contaminated with viruses such as hepatitis and HIV. The Blood Donation

Law prohibits any form of blood selling activities. To encourage blood donation, the government offers social incentives such as cash, holiday breaks, allowances etc. to employees in state-owned enterprises, college students and soldiers. The cost for all these incentives is high and already places a huge financial burden on the government. The Board believe that ZITI-2000 ABRs provides a safer and reliable blood supplies alternative to patients at lower cost and therefore, alleviates the problem of growing blood demand in the PRC.



BUSINESS REVIEW

Market expansion

The Group is the sole domestic autologous blood recovery system manufacturer in the PRC. As there are more than 15,000 large hospitals across the PRC, the market potential is enormous. Last year, the Group focused on training and nationwide promotions of the Group's ZITI-2000 ABRS across the PRC. The Group's ZITI-2000 ABRS are advanced, highly efficient, and have been widely lauded by users. The ZITI-2000 ABRS has received strong support from the government and various government bodies have issued a number of high ranking awards to the Group in connection with ZITI-2000 ABRS. Beijing, Guangdong, Shandong, Hebei, Henan, Shanxi and Inner Mongolia health bureaus have

now issued formal statements encouraging hospitals to adopt ZITI-2000 ABRS. Since its official launch in July 2000, the Group has sold more than 740 sets of Machines and 24,000 units of Disposable Chambers. More than 300 large hospitals across the PRC now enjoy the services of ZITI-2000 ABRS.

Expansion of production capacity

To cope with the growing number of customers, the Group constructed a new production plant in the Beijing Economic-Technological Development Area to increase its production capacity. The new production plant will be put into operation in July

2002. With the launch of the new plant, the Group's annual production capacity will increase to 5,000 sets of Machines and 300,000 units of Disposable Chambers respectively, a significant increase compared with the previous capacity of 1,000 sets of Machines and 50,000 units of Disposable Chambers respectively. The Board believes that the new plant will satisfy the demand for the next 3 years.

Expansion of liaison offices

Apart from its own sales team, the Group has also secured 27 distributors across the PRC. It is the Group's strategy to build up nationwide sales channel, and first-class after sales service team to cater for the needs of its customers. Since the launch of ZITI-2000 ABRS in July 2000, the after sales service team has grown to more than 40 staff, representing approximately 28% of its total workforce. To bring the Group closer to its customers, and to reduce waiting time for maintenance, the Group plans to establish four liaison offices in Shanghai, Guangzhou, Chengdu and Wuhan.



FUTURE PROSPECT

The PRC is a market with tremendous potential for development. The rapid growth of the domestic economy has prompted greater health consciousness among the general public. The Board believes that the demand for safe and reliable blood supplies will continue to rise in the future. The Group's ZITI-2000 ABRS offers a safe and reliable blood supplies alternative for surgical operations. The cost of using ZITI-2000 ABRS is relatively cheap compared with traditional homologous blood supplies and hence alleviate users' financial burdens relating to surgical operations. Because of limited production capacity in the past, the Group's business has been concentrated in large cities in the PRC. With the new plant coming into operation in July 2002, the Group is now expanding into other regions, with a



view to increasing its market share.

In addition, the Group's latest development on a portable version of ZITI-2000 ABRS (the "Portable ABRS") has borne some initial success. The prototype was produced and is currently undergoing clinical trials. This new product will provide the Group with a new source of income.

Leveraging on the Group's success in developing advanced medical equipment, the Group plans to set aside approximately 5% of its annual turnover for future research and development activities in the coming years. The Group's long-term goal is to establish itself as a leading technology company in the

PRC specialising in blood-related medical equipment and generate increasing returns to its shareholders.

With the PRC's accession to the World Trade Organisation, the PRC government has already undertaken a number of medical reforms. One of the most significant reforms is the introduction of a revised non-profit making medical insurance scheme. Under this non-profit making scheme, Social Security Bureau will bear all approved medical expenses on behalf of patients covered under the scheme. In view of the competitive costs and enhanced safety of the surgical operations resulting from using the Group's ZITI-2000 ABRS, the Board is confident that the cost of using ZITI-2000 ABRS will be covered under the revised medical insurance scheme.

Looking forward, we are committed to grasping every opportunity that brings synergies and contribution to the growth of the Group.

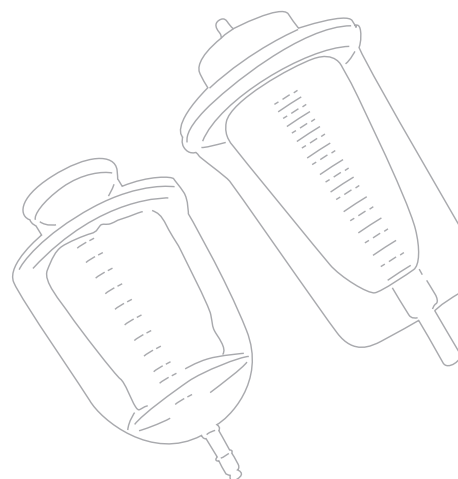
APPRECIATION

On behalf of the Board, I would like to express my utmost appreciation to our fellow directors, management, executives and all of our employees for their strong commitment and contributions to the business of the Group to accomplishing such superb results for the year. I would also like to take this opportunity to thank our shareholders, customers and suppliers for their support. We will continue to make every endeavor to explore every potential opportunity for our business growth and direct our efforts towards the long-term development for the benefits of the Group as well as the shareholders as a whole.

Kam Yuen

Chairman

Hong Kong, 10 June 2002



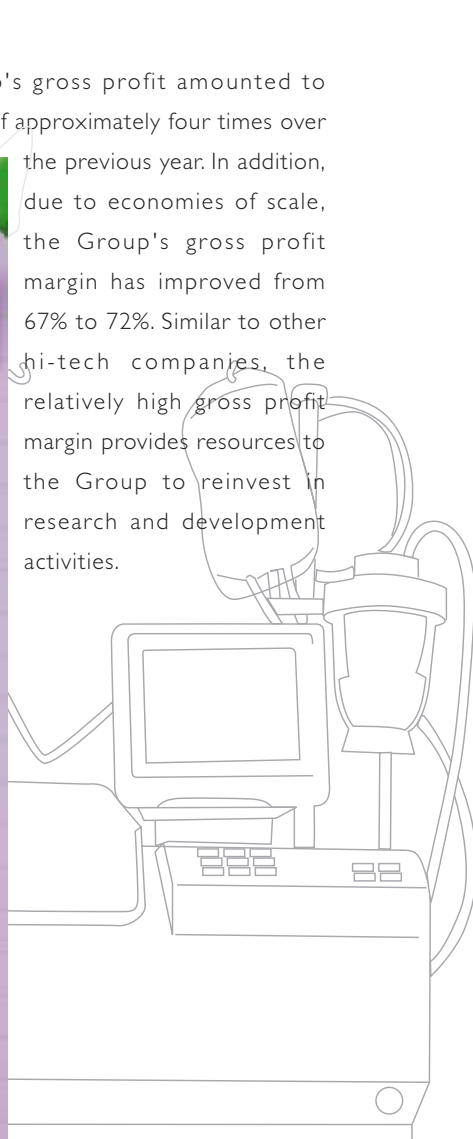
Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2002, turnover of the Group was HK\$78,597,000, representing a substantial growth of approximately four times over the previous year. The substantial increase in turnover was mainly due to growing acceptance of the Group's ZITI-2000 ABRS for surgical operations in the PRC. Management expects a steady increase in demand from hospitals for the Machines and the Disposable Chambers in the forthcoming years. For the year ended 31 March 2002, the Group sold 636 sets of Machines and 16,672 units of Disposable Chambers, respectively. As at 31 March 2002, more than 300 large hospitals in the PRC were equipped with the Group's ZITI-2000 ABRS.

GROSS PROFIT

For the year ended 31 March 2002, the Group's gross profit amounted to HK\$56,493,000, representing a significant increase of approximately four times over the previous year. In addition, due to economies of scale, the Group's gross profit margin has improved from 67% to 72%. Similar to other hi-tech companies, the relatively high gross profit margin provides resources to the Group to reinvest in research and development activities.



PROFIT BEFORE TAXATION

The Group recorded profit before taxation of HK\$41,593,000 for the year ended 31 March 2002, representing a significant increase of approximately six times over the previous year. Selling and administrative expenses went up as a result of business expansion. Management will closely monitor operating expenses with a view to keeping them at a reasonable level. Overall, net profit margin increased to 53% in 2002.



BUSINESS DEVELOPMENT

The Board is pleased to announce that the construction of the new plant located in the Beijing Economic-Technological Development Area was substantially complete as at 31 March 2002. The new plant is undergoing refurbishment to accommodate a highly purified workshop and related facilities. The refurbishment is expected to be complete in June 2002 and the new plant will be put into operation in July 2002. The annual production capacity of the new plant is 5,000 sets of Machines and 300,000 units of Disposable Chambers.

The Board expects that the commencement of the new plant will bolster the Group's expansion plan to other regions more quickly. The Board anticipates strong growth in sales revenue in the forthcoming year.

In addition, the Group plans to establish four liaison offices in Shanghai, Guangzhou, Chengdu and Wuhan, in order to bring the Group closer to its customers.

RESEARCH AND DEVELOPMENT

The Group's research team is headed by Professor Zhang Mingli and comprised 9 members as at 31 March 2002. The Group will recruit approximately 13 research specialists from reputable universities in Beijing this coming year to strengthen the Group's own research team. The Group has also established a Technology Development Advisory Board (the "Technology Board") to advise on the Group's key research and development strategies. The Technology Board comprises a number of experienced doctors and scientists specialising in blood transfusion and related technologies.

To maintain the Group's competitiveness, the Board plans to set aside approximately 5% of its annual turnover for the Group's research and development in the forthcoming years.

As a result of the Group's dedicated research effort, the development of the Portable ABRS is ahead of schedule, with a prototype already produced. The Group plans to launch the Portable ABRS in the second half of 2002. The system is a compact-sized autologous blood recovery system designed for emergency use and operating in rural areas. It incorporates all the functions of ZITI-2000 ABRS, and includes additional functions such as a high speed transfusion system, negative pressure pump, blood temperature preservation to cope with all weather conditions. The Board believes that the potential market for the Portable ABRS is enormous, with the Group's initial targets being ambulances, emergency units in remote regions, and mine and oil exploration operators in the PRC.



Apart from the Portable ABRs, the Group has the following projects under development:

1. A Blood Component Extraction System ("Extraction System"); and
2. A Whole Blood Protein Recovery System ("Protein System").

Satisfactory progress has been made with regard to the above developments. The Board is confident that these projects will reach the final stage of their developments in the second half of 2003.



In addition to the Group's own research efforts, the Group continues to work closely with other specialised institutes to enhance its development capability. So far, the Group has entered into a research co-operation agreement with the Blood Transfusion Institute of the Military Medical Science University to develop 1) blood purification and, 2) blood preservation technologies.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 March 2002, the cash and cash equivalents of the Group amounted to HK\$54,869,000. The currencies held are mainly Renminbi, US Dollars and Hong Kong Dollars. Apart from the proceeds from the Placing, the Group's main recurring source of funds for business expansion for the year ended 31 March 2002 was generated from its existing operations. Net cash inflow from operating activities amounted to HK\$15,774,000. Because of excellent cash management and credit control, more than 50% of the trade receivables at 31 March 2002 have been received. Besides, the Group did not have any borrowings at the year end. The Board is confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements. If situations arise which require additional funding, the Group is in an excellent position to obtain financing on favourable terms.

The Group's gearing ratio as at 31 March 2002 was nil (2001:29%), which is expressed as a percentage of the total bank borrowings over the total assets.

Exchange risk

The Group's sales are mainly transacted in Renminbi. Since the exchange rate fluctuation between Hong Kong Dollar and Renminbi is minimal, the Board considers that the exchange risk the Group is exposed to is very low and accordingly, no hedging arrangement was made during the year.

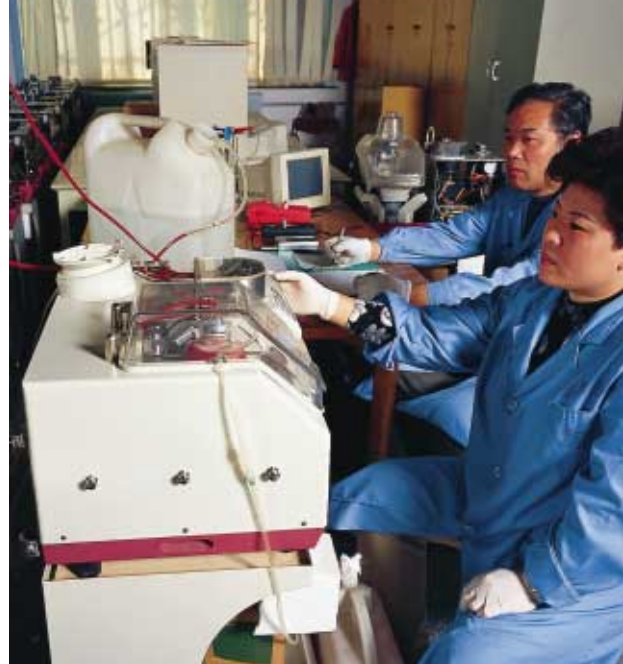
Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES

The total number of employees of the Group as at 31 March 2002 was 143 (2001: 67) with the number of production workers increased by 31 to 81. The Board has long recognised that talent is vital to the Group's rapid expansion. Employees' salaries are therefore determined at a competitive level while employees with outstanding performance are rewarded with discretionary bonuses.

The Board is considering granting share options to senior management staff. A share option scheme will be presented to the shareholders for approval at the forthcoming annual general meeting.



Use of Proceeds from the Placing

Upon the listing of the Company's shares on GEM on 28 December 2001, the Group raised net proceeds of approximately HK\$78 million from the new issue of 115,000,000 shares under the Placing to fund its future expansion.

During the period from 28 December 2001 to 31 March 2002, the Group has applied approximately HK\$38.9 million in accordance with the statement of business objectives as set out in the prospectus dated 19 December 2001 (the "Prospectus") as follows:

	Note	Planned use of proceeds up to 31 March 2002 as set out in the Prospectus HK\$'million	Actual use of proceeds HK\$'million
Construction of new plant	I	16.5	29.5
Purchase of equipment		12.0	8.0
Research and development		0.5	0.9
Marketing, promotion and brand building		<u>0.3</u>	<u>0.5</u>
		<u>29.3</u>	<u>38.9</u>

Note:

I In view of the increase in demand for the Group's products, the Group has made accelerated payments to contractors to ensure that the new plant will be put into operation in July 2002. The estimated total payments of the whole project will be in line with the amounts disclosed in the Prospectus.

The Board expects that the remaining proceeds from the Placing will be used for purposes as disclosed in the Prospectus. Those proceeds which are not immediately used are placed as deposits with banks either in Hong Kong or the PRC.



Comparison of Business Objectives with Actual Business Progress

According to the Statement of Business Objectives as stated in the Prospectus

Actual business progress from 28 December 2001 to 31 March 2002

1. Sales and distribution

- 1.1 Completion of new plant. The new plant will obtain ISO 9001 accreditation.

The new plant will be fully furnished in June 2002. The new plant will be put into operation in July 2002. The Group will renew its ISO 9001 accreditation and the Board is confident that the new plant will be accredited under the renewal application.

- 1.2 Feasibility study to set up liaison offices in the eastern and southern regions of the PRC.

The Directors have carried out studies and plan to establish four regional liaison offices in Shanghai, Guangzhou, Chengdu and Wuhan. The locations are selected for their proximity to existing and potential customers.

2. Research and development

- 2.1 The research and development of the Portable ABRS is at a final stage.

The development of the Portable ABRS is ahead of schedule. The prototype was produced and it is currently undergoing clinical trials. The Group expects to launch the Portable ABRS in the second half of 2002.

- 2.2 Continue the development on the Extraction System and the Protein System.

Satisfactory progress on the Extraction System and the Protein System has been made. The Group expects these development projects to reach the final stage of developments in the second half of 2003.



3. Production

- 3.1 The new plant is expected to be ready for production in early 2002.

The new plant will be put into operation in July 2002. Annual production capacity is expected to be 5,000 sets of Machines and 300,000 units of Disposable Chambers.

The existing facility will be kept running for a further period while the new plant is undergoing its initial operating phase to ensure smooth production transition.

4. Promotion

- 4.1 Trial use scheme will be carried out at large hospitals in provinces.

Although trial use scheme is still carried out for certain large hospitals, the Group has stopped granting any further trial use scheme because of the overwhelming demand of the Group's ZITI-2000 ABRS from hospitals across the PRC and the limitation of existing production capacity.

Instead, the Group has launched a series of promotional campaigns and participated in a number of industry-related exhibitions across the PRC to draw the attention of doctors and medical specialists.

- 4.2 Advertisements in professional medical magazines to enhance awareness and branding of the Group

In addition to the advertisements in professional magazines, the Group has focused on participating in various medical conferences and industry-related exhibitions in provinces across the PRC, in order to draw the attention of doctors and relevant government officials. The Group has made significant progress in creating its own brand name.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Kam Yuen (甘源), aged 39, is the Chairman of the Company, the Compliance Officer and the Founder of the Group. He is responsible for the Group's overall strategic planning. He graduated from Beijing Second Foreign Languages Institute (北京第二外國語學院), the PRC in 1985. Mr. Kam has more than 15 years of management experience in international trade businesses, including his employment with China Metal Minerals Import and Export Company (中國五金礦產進出口總公司).

Ms. Chau Mei Chun (周美珍), aged 36, is Vice Chairman of the Company. She has extensive experience in business management and has been appointed as director of China Chiuchow Garden Group Investment and Management Limited (中國潮江春集團投資管理有限公司). Ms. Chau joined the Group in July 2001 and is responsible for customer relationship, marketing and sales of the Group. Ms. Chau is the spouse of Mr. Leung Shi Wing.

Mr. Lu Tian Long (魯天龍), aged 50, has been Executive Director of the Company since September 2001. He has also been appointed as a Director and General Manager of Beijing Jingjing Medical Equipment Limited ("BJ Limited"), a wholly owned subsidiary of the Company. He is responsible for the production, operation and management of BJ Limited. He has substantial experience in business management in the electrical appliances industry and was a former deputy director of the Beijing Eastern District Education Committee (北京市東城區教育局).

Ms. Jin Lu (金路), aged 36, is Executive Director of the Company. She joined the Group in June 2000 and is in charge of the general administration and operation of the Group. Prior to joining the Group, Ms. Jin worked in the Western Language Team (西文組) of the External Department (對外部) of Xin Hua News Agency (新華通訊社). She is also a founder of Electric Orange, a media and entertainment company in the PRC. She has extensive experience in marketing and business planning. Ms. Jin graduated from Beijing Second Foreign Languages Institute (北京第二外國語學院), the PRC in 1987.

Ms. Zheng Ting (鄭汀), aged 29, is Executive Director of the Company and is responsible for the financial and internal control system of the Group. Ms. Zheng joined the Group in June 2001. Prior to joining the Group, she worked as senior audit manager and planning manager in Sino-Reality Certified Public Accountants (華實會計師事務所) in the PRC. Ms. Zheng has substantial experience in financial management and has participated in the audit of various sizable enterprises and mergers and restructuring projects. She graduated from the Chinese People's University (中國人民大學), the PRC in 1996.

Non-executive Director

Mr. Leung Shi Wing (梁仕榮), aged 51, is a Non-executive Director of the Company. Mr. Leung joined the Group in September 2001. He has extensive experience in business management and has been appointed as director of a number of companies, including Chiuchow Garden Group Investment and Management Limited (中國潮江春集團投資管理有限公司). Mr. Leung is the spouse of Ms. Chau Mei Chun.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Gu Qiao (顧樵), aged 55, joined the Group in September 2001 and is an Independent Non-executive Director of the Company. Mr. Gu is a scientist in quantum-optics (量子光學), biophysics (生物物理) and biological photonics (生物光子) and an Associate Professor of Northwest University, the PRC (中國西北大學). He is also a member of the International Institute of Biophysics, Germany. Mr. Gu received a doctor degree from Northwest University, the PRC in 1989.

Mr. Gao Zongze (高宗澤), aged 62, joined the Group in September 2001 and is an Independent Non-executive Director of the Company. Mr. Gao is the president of All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of China Academy of Social Sciences, the PRC (中國社會科學院) in 1981.

Technology Development Advisory Board

BJ Limited has established a technology development advisory board (the "Technology Board") since 2000. As at 31 March 2002, the Technology Board comprised more than 40 experienced medical officers. The primary duties of this committee are (i) to develop the Group's key technical strategies in the field of medical equipment related to blood treatment; (ii) to monitor the progress of major technical programs; and (iii) to review proposals for the development of new products and production techniques. The four core members of the Technology Board are Prof. Zhang, Chairman of the Technology Board, Dr. Pei Xuetao, Prof. Wang Baoguo and Dr. Tian Ming.

Prof. Zhang Mingli (張明禮) is the Chairman of the Technology Board. He graduated from Peking University with a degree in medicine, and is a cardiac and thoracic professional. Prof. Zhang received the "Beijing Municipal Technology Progress Award" in 1986 as a result of his invention of external circulation pump monitoring and controlling, automatic pressure releasing equipment, and blood level monitoring and controlling equipment. He is currently the Chief Practitioner of the Faculty of Cardiac and Thoracic Surgery of First Hospital, Professor and Tutor to postgraduate students of Faculty of Medicine of Peking University, a medical equipment evaluation specialist of the Evaluation Committee, a medical project evaluation specialist of National Invention Foundation (國家創新基金醫療項目), and Instructor-in-charge of the "National Autologous Blood Recovery Technology Course", a national medical continuous learning project.

Dr. Pei Xuetao (裴雪濤) is the Chairman of the Institute and the Stem Cell Research Center of Military Medical Science University (軍事醫學科學院野戰輸血研究所). He is also the deputy chairman of the committee member of the People's Liberation Army Medical Science Committee and the deputy chairman of phlebotomy Committee. He is a Professor and Tutor for Doctorate candidates of the Military Medical Science University. He graduated from the Military Medical Science University in 1997.

Professor Wang Baoguo (王保國) is the Chief Practitioner of Anaesthesia of the Capital Medical University Tiantan Hospital (首都醫科大學天壇醫院). He is a Tutor for Doctorate candidates and is on the editorial boards of 3 academic journals on Anaesthesia. He is also the secretary of Beijing Anaesthesia Committee (北京麻醉專業委員會) and his research has earned him a number of technology awards granted by Beijing Municipality.

Biographical Details of Directors and Senior Management

Dr. Tian Ming (田鳴) is Chief Practitioner of Anaesthesia of the Beijing Friendship Hospital (北京友誼醫院). He graduated from China Medical University with a Doctor of Anaesthesia in 1996 and has worked in the departments of Anaesthesia of Xu Zhou Medical College Affiliated Hospital (徐州醫學院附屬醫院) and Beijing Chaoyang Hospital (北京朝陽醫院) prior to taking up his current position. He has a solid background in Aneasthesia and has on numerous occasions cooperated with cardiac surgeons from the U.S., U.K., Japan and Italy. He was also in charge of anaesthesia in more than 30 liver transplant surgeries. In addition to publishing articles on his specialty, he also spends his time on the research of autologous blood transfusion. With his substantial experience in teaching, Dr. Tian received two outstanding teacher's awards in 2000.

Senior Management

Mr. Lu Shuqi (路書奇), aged 54, Deputy General Manager of BJ Limited, is responsible for general management and operation of BJ Limited. He received a degree in Engineering from Tsinghua University (清華大學). He has more than 20 years' experience in the machinery manufacturing industry in the PRC.

Mr. Zhang Jihong (張積宏), aged 50, Deputy General Manager of BJ Limited, is in charge of administration, merchandise and supplies, external relations and sales functions. He has more than 20 years' experience in the manufacturing industry in the PRC. He was educated at the financial and accounting department of the Second Branch of Peking University (北京大學二分院).

Mr. Gao Guangpu (高光譜), aged 39, Quality Control Manager of BJ Limited, is in charge of quality control of the Group's products. He is also responsible for certain aspects of production technology, including product standard, production procedure, technology improvements etc. Mr. Gao graduated from the English Language Department of Beijing Second Foreign Languages Institute.

Mr. Jiang Wenjun (蔣文俊), aged 57, is a pharmaceutical chemistry professional. Mr. Jiang has over 36 years' experience in the medicine and medical equipment manufacturing industry. Mr. Jiang has played an important role in helping the Group establish the production system of Disposable Chambers.

Mr. Kong Kam Yu (江金裕), aged 32, is a qualified accountant and Company Secretary of the Group. Mr. Kong is a Chartered Accountant in England and Wales and has over nine years' working experience in the accounting field. He joined the Group in 2001, and is responsible for the Group's finance, corporate projects, company secretarial matters as well as fund raising activities. Prior to joining the Group, Mr. Kong worked with a reputable international accounting firm in Hong Kong.

Ms. Cui Qi (崔琪), aged 49, Finance Manager of BJ Limited, is currently in charge of the BJ Limited's financial system. She graduated from the Finance and Accounting Department of Beijing Western District Employees' University (北京西城區職工大學) and is a registered accountant in the PRC. Prior to joining the Group, she worked in the accounting department of a printing company.

Mr. Zhang Yong (張勇), aged 39, is Marketing Manager of BJ Limited. He is currently in charge of the Company's technology promotion. He plays an important role in the Group's technology improvement, marketing promotion and product sales. Mr. Zhang is very experienced in advertising, promotion and marketing. He graduated from the Medical Department of the First Military Medical University.

Report of the Directors

The Directors have pleasure in submitting their first annual report together with the audited financial statements of the Group for the year ended 31 March 2002.

Group reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law (2001 Second Revision) as an exempted company with limited liability on 3 September 2001. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of its shares on the GEM, the Company became the holding company of the Group on 18 December 2001. The Company's shares were listed on the GEM of the Exchange on 28 December 2001.

The Group has been treated as a continuing basis set out in note 2 on the financial statements. Details of the Reorganisation and the basis of presentation of the financial statements are set out in notes 1 and 2 on the financial statements and in the Company's Prospectus.

Principal activities

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of the Machines and the Disposable Chambers. Details of the subsidiaries are set out in note 14 on the financial statements.

The Group's turnover for the year is principally attributable to the sales of Machines and Disposable Chambers, less returns, allowances, value added tax and other sales taxes. An analysis of the turnover from the principal activities during the financial year is set out in note 4 on the financial statements.

Financial statements

The profit of the Group for the year ended 31 March 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 26 to 58 of this annual report.

Dividends and reserves

The Directors do not recommend the payment of a dividend for the year ended 31 March 2002 (2001: HK\$Nil).

Details of movements in reserves of the Company and the Group during the year are set out in note 23 on the financial statements.

Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	55%	
Five largest customers in aggregate	88%	
The largest supplier		18%
Five largest suppliers in aggregate		60%

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

Fixed assets

Details of movements in fixed assets of the Group during the year are set out in note 12 on the financial statements.

Share capital

Details of movements in share capital of the Company during the year are set out in note 22 on the financial statements.

Report of the Directors

Directors

The Directors during the financial year and up to the date of this report were:

Executive Directors

Mr. Kam Yuen, Chairman	(appointed on 3 September 2001)
Ms. Chau Mei Chun, Vice Chairman	(appointed on 24 September 2001)
Mr. Lu Tian Long	(appointed on 24 September 2001)
Ms. Jin Lu	(appointed on 24 September 2001)
Ms. Zheng Ting	(appointed on 24 September 2001)

Non-executive Director

Mr. Leung Shi Wing	(appointed on 15 December 2001)
--------------------	---------------------------------

Independent Non-executive Directors

Mr. Gu Qiao	(appointed on 15 December 2001)
Mr. Gao Zongze	(appointed on 15 December 2001)

In accordance with article 112 of the Company's articles of association, Ms. Chau Mei Chun, Mr. Lu Tian Long, Ms. Jin Lu, Ms. Zheng Ting, Mr. Leung Shi Wing, Mr. Gu Qiao and Mr. Gao Zongze will retire from the Board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the Directors and senior management are set out on pages 16 to 18 of this annual report. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 on the financial statements.

Directors' service contracts

On 15 December 2001, each of the Directors entered into a service contract with the Company for a fixed term of three years commencing on 28 December 2001. The service contract with Executive Directors will continue thereafter unless terminated by not less than 90 days' notice in writing serving by either party. The service contract with Non-executive Directors can be terminated by either party by serving not less than 30 days' prior written notice. The Directors are committed by the respective service contracts to devote himself exclusively and diligently to the business and interests of the Group and to keep the Board promptly and fully informed of his/her conduct of business affairs, among other commitments.

The service contracts for Ms. Chau Mei Chun, Mr. Lu Tian Long, Ms. Jin Lu and Ms. Zheng Ting will not be expired prior to 14 December 2004. Save as disclosed above, no other Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Report of the Directors

Directors' interests in shares

At 31 March 2002, according to the register kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the following Directors had interests in the Company's securities :

Interest in the Company

Name of director	Ordinary shares of HK\$0.1 each				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Kam Yuen (<i>Note</i>)	—	—	238,800,000	—	238,800,000
Ms. Chau Mei Chun (<i>Note</i>)	—	—	238,800,000	—	238,800,000
Mr. Leung Shi Wing (<i>Note</i>)	—	—	238,800,000	—	238,800,000

Note: Mr. Kam Yuen, Ms. Chau Mei Chun and Mr. Leung Shi Wing are beneficial shareholders of 75%, 6% and 19% respectively of the issued share capital of Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI") which owned 238,800,000 shares of the Company at 31 March 2002.

Save as disclosed above, as at 31 March 2002, none of the Directors, chief executive of the Company and their respective associates had any interests in the shares or debentures of the Company, its holding company, subsidiaries or other associated corporations as defined in the SDI Ordinance.

Directors' right to acquire shares in the Company

At no time during the year was the Company or any of its holding company or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, chief executive, their respective spouses and children under the age of 18 had been granted any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial shareholders

Other than interests disclosed above in respect of the Directors and their associates, as at 31 March 2002, according to the register of interests kept by the Company under section 16(1) of the SDI Ordinance, the following company was the only person or entity interested in 10 percent or more of the issued share capital of the Company:

Name	No. of issued shares	Percentage of shareholding
Bio Garden (<i>Note</i>)	238,800,000	57.5%

Note: Bio Garden is an investment holding company incorporated in the BVI. Mr. Kam Yuen, Ms. Chau Mei Chun and Mr. Leung Shi Wing are beneficial shareholders of 75%, 6% and 19% respectively of the issued share capital of Bio Garden.

Report of the Directors

Related party and connected transactions

The Group had entered into certain related party transactions during the year which would constitute connected transactions for the purpose of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”). Save as disclosed in note 27(i) on the financial statements, all of these transactions had been complete and discontinued after the listing of the Company’s shares on the GEM on 28 December 2001. Details of these transactions for the year are set out in note 27 on the financial statements.

Save as disclosed therein, no contract of significance to which the Company, or any of its subsidiaries was a party, in which a Director or controlling shareholder of the Company or subsidiary of the controlling shareholder had a material interest, directly or indirectly, subsisted at the end of the year or at any time during the year.

Purchase, sale or redemption of the Company’s listed securities

Since the date of listing on 28 December 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

Pre-emptive rights

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

Retirement schemes

Details of the Group’s retirement schemes for the year ended 31 March 2002 are set out in note 26 on the financial statements.

Financial summary

A summary of the results and of the assets and liabilities of the Group is set out on pages 59 to 60 of this annual report.

Competition and conflict of interests

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

Report of the Directors

Compliance with rules 5.28 to 5.39 of the GEM Listing Rules

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practice and procedures since the listing of the Company's shares on the GEM on 28 December 2001.

Audit committee

As required by Rule 5.23 of the GEM Listing Rules, the Company established an audit committee ("Committee") with written terms of reference which deal with its authority and duties on 15 December 2001. The Committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the board.

The Committee comprises two Independent Non-executive Directors, namely Mr. Gu Qiao and Mr. Gao Zongze.

Since its establishment, the Committee has met twice, reviewing the Company's reports and financial statements, and providing advice and comments to the Board.

Interest of sponsor

Immediately upon commencement of dealings in the shares of the Company on the GEM on 28 December 2001, ICEA Capital Limited (the "Sponsor") has received and will continue to receive fees for acting as the Company's sponsor for the period up to 31 March 2004.

As at 31 March 2002 and as at the date of this report, the Sponsor, its directors, employees and its associates did not have any interest in the shares of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any of its subsidiaries.

Auditors

KPMG were first appointed as auditors of the Company in 2001.

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

By order of the Board

Kam Yuen
Chairman

Hong Kong, 10 June 2002

Report of the Auditors

Auditors' report to the shareholders of Golden Meditech Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Consolidated Income Statement

for the year ended 31 March 2002

(Expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
Turnover	4	78,597	16,983
Cost of sales		(22,104)	(5,569)
Gross profit		56,493	11,414
Other revenue	5	314	297
Selling expenses		(5,781)	(3,294)
Administrative expenses		(9,150)	(2,413)
Profit from operations		41,876	6,004
Finance cost	6(a)	(283)	(163)
Profit before taxation	6	41,593	5,841
Taxation	7	—	—
Profit attributable to shareholders	10	41,593	5,841
Earnings per share	11		
Basic (in Hong Kong cents)		12.7	1.9

The notes on pages 33 to 58 form part of these financial statements.

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2002

(Expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
Foreign exchange translation difference	23(a)	(199)	—
Share issuance expenses	23(a)	(23,373)	—
Net losses not recognised in the income statement		(23,572)	—
Net profit for the year	23(a)	41,593	5,841
Total recognised gains		18,021	5,841

The notes on pages 33 to 58 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2002

(Expressed in Hong Kong dollars)

	Note	\$'000	2002 \$'000	\$'000	2001 \$'000
Non-current assets					
Fixed assets	12		868		280
Construction in progress	13		79,729		4,364
Goodwill	15		796		894
			81,393		5,538
Current assets					
Inventories	16	4,662		5,232	
Trade receivables	17	43,356		12,152	
Other receivables, deposits and prepayments		11,214		1,237	
Amounts due from related companies	18	—		10,936	
Cash and cash equivalents	19	54,869		22,824	
		114,101		52,381	
Current liabilities					
Bank loan - secured		—		16,962	
Trade payables	20	9,473		2,722	
Other payables and accruals		6,911		9,834	
Amounts due to the then shareholders	21	—		22,697	
		16,384		52,215	
Net current assets			97,717		166
NET ASSETS			179,110		5,704

Consolidated Balance Sheet

at 31 March 2002

(Expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
CAPITAL AND RESERVES			
Share capital	22	41,500	10
Reserves	23(a)	137,610	5,694
		<u>179,110</u>	<u>5,704</u>

Approved and authorised for issue by the board of directors on 10 June 2002

Kam Yuen
Director

Chau Mei Chun
Director

The notes on pages 33 to 58 form part of these financial statements.

Balance Sheet

at 31 March 2002

(Expressed in Hong Kong dollars)

	Note	\$'000	\$'000
Non-current assets			
Interest in subsidiaries	14		48,156
Current assets			
Other receivables, deposits and prepayments		8,921	
Cash and cash equivalents	19	18,334	
		<u>27,255</u>	
Current liabilities			
Accruals		<u>1,145</u>	
Net current assets			<u>26,110</u>
NET ASSETS			<u>74,266</u>
CAPITAL AND RESERVES			
Share capital	22		41,500
Reserves	23(b)		<u>32,766</u>
			<u>74,266</u>

Approved and authorised for issue by the board of directors on 10 June 2002

Kam Yuen
Director

Chau Mei Chun
Director

The notes on pages 33 to 58 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2002

(Expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
Net cash inflow/(outflow) from operating activities	24(a)	15,774	(10,952)
Returns on investments and servicing of finance			
Interest received		314	297
Interest paid		(283)	(163)
Net cash inflow from returns on investments and servicing of finance		31	134
Taxation			
Income tax paid		—	—
Tax paid		—	—
Investing activities			
Payment for purchase of fixed assets		(704)	(47)
Payment for additions to construction in progress		(75,372)	(4,364)
Payment for acquisition of business	24(b)	—	(1,606)
Net cash outflow from investing activities		(76,076)	(6,017)
Net cash outflow before financing carried forward		(60,271)	(16,835)

Consolidated Cash Flow Statement

for the year ended 31 March 2002

(Expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
Net cash outflow before financing brought forward		(60,271)	(16,835)
Financing activities			
New bank loan		—	16,962
Advances from the then shareholders	24(c)	34,183	22,697
Repayment of bank loan	24(c)	(16,962)	—
Repayment to the then shareholders	24(c)	(2,697)	—
Issuance of shares	24(c)	1	—
Net proceeds from the placing of new shares	24(c)	77,827	—
Net cash inflow from financing activities		92,352	39,659
Increase in cash and cash equivalents		32,081	22,824
Effect of foreign exchange rates		(36)	—
Cash and cash equivalents at 1 April		22,824	—
Cash and cash equivalents at 31 March		54,869	22,824
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		38,369	3,717
Deposits with banks maturing within three months of the balance sheet date		16,500	19,107
		54,869	22,824

The notes on pages 33 to 58 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Reorganisation

Golden Meditech Company Limited (the “Company”) was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands as part of the reorganisation (the “Reorganisation”) of the Company and its subsidiaries (collectively referred to as the “Group”). Pursuant to the Reorganisation, the Company became the holding company of the Group on 18 December 2001. The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting. Directors are of the opinion that the annual financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

Further details of the Reorganisation are set out in the prospectus dated 19 December 2001 (the “Prospectus”) issued by the Company and the details of the subsidiaries acquired pursuant to the Reorganisation are set out in note 14 on the financial statements. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Exchange”) with effect from 28 December 2001.

2 Basis of presentation

The Group has been treated as a continuing entity, and accordingly, the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from 18 December 2001. Accordingly, the consolidated results of the Group for the years ended 31 March 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation or establishment, where there is a shorter period.

The consolidated balance sheet at 31 March 2001 is a combination of the balance sheets of the companies comprising the Group at 31 March 2001.

The Company was incorporated on 3 September 2001. During the year ended 31 March 2001, the Company had not yet been set up and accordingly, no comparative figures are presented in respect of the Company's balance sheet at 31 March 2002.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the disclosure requirements of the Listing Rules of the GEM of the Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March of each year prepared on the basis of presentation as described in note 2. All material intra-group transactions and balances are eliminated on consolidation.

(d) Goodwill

Goodwill, being the excess of the consideration over the fair values of the separate net assets in respect of business operations acquired, is recognised as an asset and amortised over its estimated useful life of 10 years. Goodwill is stated at cost less accumulated amortisation and impairment losses.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (Continued)

(e) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company.

(f) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated in the balance sheets at cost less accumulated depreciation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Machinery	10 years
Furniture, fixtures and equipment	5 years

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (Continued)

(f) Fixed assets and depreciation (Continued)

(iv) Disposals

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(g) Construction in progress

Construction in progress is stated at cost. Cost comprises direct costs of construction as well as interest expenses capitalised during the period of construction and installation. Capitalisation of these costs ceased and the construction in progress is transferred to fixed assets when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is complete and ready for its intended use.

(h) Impairment of assets

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

- fixed assets;
- construction in progress;
- goodwill; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(i) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(j) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amount of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdraft.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (Continued)

(l) Provisions and contingent liabilities

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

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

(m) Revenue recognition

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

Sale of goods

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

Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserve.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (Continued)

(o) Operating leases

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

(p) Retirement benefits

The Group's contributions to retirement benefit schemes are charged to the income statement as and when incurred.

(q) Research and development costs

Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. In the circumstances, research and development costs are recognised as expenses in the period in which they are incurred.

(r) Borrowing costs

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

(s) Related parties

For the purposes of this report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

4 Turnover

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sales of autologous blood recovery machines ("Machines") and disposable blood processing chambers and related accessories ("Disposable Chambers").

Turnover represents the amounts received and receivable for goods sold to customers, less returns, allowances, value added tax and other sales taxes.

Turnover recognised during the year may be analysed as follows:

	2002 \$'000	2001 \$'000
Sales of Machines	70,137	13,153
Sales of Disposable Chambers	8,460	3,830
	78,597	16,983

The Group's turnover and operating profit are almost entirely derived from the sales of Machines and Disposable Chambers in the People's Republic of China ("the PRC"). Accordingly, no analysis by business and geographical segments has been provided.

5 Other revenue

Other revenue represents interest income from bank deposits.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2002 \$'000	2001 \$'000
(a) Finance cost:		
Interest on bank loan repayable within five years	283	163
(b) Other items:		
Depreciation	116	69
Auditors' remuneration	750	30
Operating lease charges in respect of properties	2,071	500
Research and development costs	899	94
Amortisation of goodwill	98	72
Staff costs (including directors' remuneration in note 8)		
- Salaries, wages and allowances	2,401	973
- Retirement benefits	121	41
Average number of employees during the year	90	34

7 Taxation

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2002 (2001: \$Nil) as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year.

(ii) PRC income tax

The Company's subsidiary in the PRC is subject to PRC income tax, at a reduced rate of 15%. In accordance with the relevant tax rules and regulations in the PRC, the subsidiary is exempted from PRC income tax for the year ended 31 March 2002.

(iii) Deferred taxation

No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

8 Directors' remuneration

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

	2002 \$'000	2001 \$'000
Fees	30	—
Salaries and other emoluments	402	22
Bonus	—	—
Retirement benefits	15	4
	447	26

Included in the directors' remuneration were fees of \$30,000 (2001: \$Nil) paid to the Independent Non-executive Directors during the year.

The Executive Directors received remuneration of approximately \$153,000, \$93,000, \$57,000, \$57,000 and \$57,000 for the year ended 31 March 2002 and approximately \$Nil, \$Nil, \$Nil, \$Nil and \$26,000 for the year ended 31 March 2001.

The Non-executive Directors received remuneration of approximately \$Nil, \$15,000 and \$15,000 for the year ended 31 March 2002 (2001: \$Nil).

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the Executive Directors entered into a service contract with the Company for a fixed term of three years commencing on 28 December 2001, and will continue thereafter unless and until, terminated by either party by serving not less than 90 days' prior written notice. Each of the Non-executive Directors entered into a service contract with the Company for a fixed term of three years commencing on 28 December 2001 which can be terminated by either party by serving not less than 30 days' prior written notice.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2001: one) are Directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2001: four) individual is as follows:

	2002 \$'000	2001 \$'000
Salaries, allowances and other benefits	190	93
Retirement benefits	4	14
	194	107

The individuals received emoluments of approximately \$194,000 for the year ended 31 March 2002 and approximately \$47,000, \$21,000, \$20,000 and \$19,000 for the year ended 31 March 2001.

10 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a loss of \$3,563,000 (2001: \$Nil) which has been dealt with in the financial statements of the Company.

11 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2002 is based on the consolidated profit attributable to shareholders of \$41,593,000 divided by the weighted average number of 328,794,521 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 March 2001 is based on the consolidated profit attributable to shareholders of \$5,841,000 divided by 300,000,000 shares, prior to the placing but after adjusting the effect of the capitalisation issue as described in Appendix V to the Prospectus.

(b) Diluted earnings per share

No diluted earnings per share is presented as there are no dilutive potential shares.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

12 Fixed assets

	The Group		
	Machinery \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
Cost:			
At 1 April 2001	185	164	349
Additions	508	196	704
At 31 March 2002	693	360	1,053
Aggregate depreciation:			
At 1 April 2001	(17)	(52)	(69)
Charge for the year	(56)	(60)	(116)
At 31 March 2002	(73)	(112)	(185)
Net book value:			
At 31 March 2002	620	248	868
At 31 March 2001	168	112	280

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

13 Construction in progress

	The Group
	\$'000
At 1 April 2001	4,364
Exchange adjustments	(7)
Additions	75,372
At 31 March 2002	79,729

Construction in progress represented construction costs of a factory, the cost of land use right where the factory is situated and the machinery and equipment under installation.

The Group has been granted the right to use a parcel of land by the relevant PRC authorities for a period of 50 years, which expires on 18 December 2050.

14 Interest in subsidiaries

	The Company
	2002
	\$'000
Unlisted shares, at cost	1
Amounts due from subsidiaries	48,155
	48,156

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in subsidiaries (Continued)

The following list contains the particulars of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Percentage of equity			Issued/ registered capital	Principal activities
		Group's effective holding	held by the Company	held by subsidiary		
China Bright Group Co. Limited ("China Bright")	Hong Kong	100%	100%	—	\$13,158	Investment holding
Beijing Jingjiing Medical Equipment Co., Ltd. ("BJ Limited")	PRC	100%	—	100%	US\$10,100,000	Manufacture and sales of Machines and Disposable Chambers

15 Goodwill

	The Group	
	2002 \$'000	2001 \$'000
Goodwill	966	966
Less: Accumulated amortisation	(170)	(72)
	796	894

The balance represents the unamortised goodwill arising from the Group's acquisition of a business together with the relevant assets and liabilities in 2000.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

16 Inventories

	The Group	
	2002 \$'000	2001 \$'000
Raw materials	600	1,017
Work in progress	1,038	319
Finished goods	3,024	3,896
	4,662	5,232

All inventories are stated at cost.

17 Trade receivables

Customers are generally granted with credit terms of 2 to 6 months. Details of the ageing analysis of trade receivables are as follows:

	The Group	
	2002 \$'000	2001 \$'000
Within 6 months	41,204	11,044
Between 6 to 12 months	1,377	1,108
Over one year	775	—
	43,356	12,152

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

18 Amounts due from related companies

	Maximum amount outstanding during the year		The Group	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Beijing Fangze Property Development Co., Ltd. ("Beijing Fangze")	38,328	9,994	—	9,994
Electric Orange Entertainment Co., Ltd. ("Electric Orange")	2,500	942	—	942
			—	10,936

Amounts due from related companies were unsecured, interest-free and had no fixed terms of repayment.

19 Cash and cash equivalents

	The Group		The Company
	2002 \$'000	2001 \$'000	2002 \$'000
Deposits with banks	16,500	19,107	16,500
Cash at bank and in hand	38,369	3,717	1,834
	54,869	22,824	18,334

20 Trade payables

The Group is normally granted with credit terms of 1 to 2 months from its suppliers. Details of the ageing analysis of trade payables are as follows:

	The Group	
	2002 \$'000	2001 \$'000
Due within 1 month or on demand	9,473	2,722

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

21 Amounts due to the then shareholders

The amounts were unsecured and interest-free. An advance brought forward from the previous year of \$20,000,000 was settled by the issuance of shares of China Bright to the then shareholders. The remaining balance was repaid during the year.

22 Share capital

	2002		2001	
	No. of shares (‘000)	\$’000	No. of shares (‘000)	\$’000
Authorised:				
Ordinary shares of \$0.1/\$1 each (note (i) & (iv))	1,000,000	100,000	10	10
Issued and fully paid:				
At 1 April (note (i))	10	10	10	10
Capital eliminated on consolidation	(10)	(10)	—	—
Issuance of shares (note (iii))	10	1	—	—
Issuance of shares for the acquisition of subsidiary (note (v))	10	1	—	—
Capitalisation issue (note (vi))	299,980	29,998	—	—
Issuance of shares for cash (note (vii))	115,000	11,500	—	—
At 31 March	415,000	41,500	10	10

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

22 Share capital (Continued)

Notes:

- (i) The authorised and issued share capital on the consolidated balance sheet at 31 March 2001 represents the share capital of China Bright.
- (ii) On 3 September 2001, the authorised share capital of the Company was \$390,000 divided into 390,000 shares of \$1 each and 1 share of \$1 was allotted and issued, credited as fully paid at par.
- (iii) Pursuant to the written resolution passed by all the shareholders of the Company on 24 September 2001, by means of a sub-division of share capital, the par value to the shares of the Company was reduced from \$1 each to \$0.1 each, and each issued share of \$1 in the share capital of the Company was sub-divided into ten shares. On the same date, 9,990 shares of \$0.1 each were allotted and issued, credited as fully paid at par.
- (iv) Pursuant to the written resolution passed by all the shareholders of the Company on 15 December 2001, the authorised share capital of the Company was increased from \$390,000 to \$100,000,000 by the creation of an additional 996,100,000 shares of \$0.1 each.
- (v) Pursuant to the written resolutions passed by all the shareholders of the Company on 15 December 2001, the Company would acquire the entire share capital of China Bright and became the holding company of the Group. The Company allotted and issued 10,000 shares of \$0.1 each, credited as fully paid at par as consideration for the acquisition of the entire issued share capital of China Bright on 18 December 2001.
- (vi) On 15 December 2001, an amount of \$29,998,000 standing to the credits of the share premium account was applied, conditional on the share premium account of the Company being credited as a result of the placing of shares issued upon the listing of the Company's shares on the GEM of the Exchange, in paying up in full at par 299,980,000 shares of \$0.1 each which were allotted and credited as fully paid to the then shareholders pursuant to their respective equity percentages.
- (vii) On 27 December 2001, a further 100,000,000 shares of \$0.1 each were issued and offered for subscription at a price of \$0.88 per share upon the listing of the Company's shares on the GEM of the Exchange. On 14 January 2002, additional 15,000,000 shares of \$0.1 each were issued at a price of \$0.88 per share upon exercise of the over-allotment option by ICEA Capital Limited on behalf of the underwriters. The Group raised approximately \$77,827,000 net of related expenses from the two issues.
- (viii) All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

23 Reserves

(a) The Group

	Share premium \$'000	Merger reserve \$'000	Exchange reserve \$'000	(Accumulated loss) /retained profits \$'000	Total \$'000
At 1 April 2000	—	—	—	(147)	(147)
Profit for the year	—	—	—	5,841	5,841
At 31 March 2001	—	—	—	5,694	5,694
At 1 April 2001	—	—	—	5,694	5,694
Reserve arising from the Reorganisation	—	54,193	—	—	54,193
Premium arising from the placing of shares (note 22 (vii))	89,700	—	—	—	89,700
Share issuance expenses	(23,373)	—	—	—	(23,373)
Capitalisation issue of shares (note 22 (vi))	(29,998)	—	—	—	(29,998)
Profit for the year	—	—	—	41,593	41,593
Exchange differences on translation of financial statements of foreign subsidiary	—	—	(199)	—	(199)
At 31 March 2002	36,329	54,193	(199)	47,287	137,610

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

23 Reserves (Continued)

(b) The Company

	Share premium \$'000	Accumulated loss \$'000	Total \$'000
At 1 April 2001	—	—	—
Premium arising from the placing of shares (note 22(vii))	89,700	—	89,700
Share issuance expenses	(23,373)	—	(23,373)
Capitalisation issue of shares (note 22(vi))	(29,998)	—	(29,998)
Loss for the year	—	(3,563)	(3,563)
At 31 March 2002	36,329	(3,563)	32,766

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 March 2002, in the opinion of the directors of the Company, the reserve of the Company available for distribution to shareholders amounted to \$32,766,000.

The Company was incorporated on 3 September 2001 and has not carried out any business since the date of its incorporation save for the transaction related to the Reorganisation. Accordingly, there was no reserve available for distribution to shareholders as at 31 March 2001.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the consolidated cash flow statement

(a) Reconciliation of profit from operations to net cash inflow/(outflow) from operating activities

	2002 \$'000	2001 \$'000
Profit from operations	41,876	6,004
Interest income	(314)	(297)
Depreciation	116	69
Amortisation of goodwill	98	72
Decrease in inventories	570	1,009
Increase in trade receivables	(31,204)	(8,159)
Increase in other receivables, deposits and prepayments	(9,977)	(631)
Decrease/(increase) in amounts due from related companies	10,936	(10,936)
Increase in trade payables	6,751	1,384
(Decrease)/increase in other payables and accruals	(2,923)	7,228
Decrease in amounts due to the then shareholders	—	(6,695)
Foreign exchange	(155)	—
Net cash inflow/(outflow) from operating activities	15,774	(10,952)

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the consolidated cash flow statement (Continued)

(b) Purchase of business

	2002 \$'000	2001 \$'000
Fixed assets	—	302
Trade receivables	—	3,993
Other receivables, deposits and prepayments	—	606
Inventories	—	6,241
Cash at bank and in hand	—	637
Trade payables	—	(1,338)
Other payables and accruals	—	(2,469)
Amounts due to the then shareholders	—	(6,695)
	—	1,277
Goodwill arising on acquisition	—	966
	—	2,243
Satisfied by:		
Cash paid	—	2,243

Analysis of net outflow of cash and cash equivalents in respect of the purchase of business

	2002 \$'000	2001 \$'000
Cash consideration	—	2,243
Cash at bank and in hand acquired	—	(637)
Net outflow of cash and cash equivalents in respect of the purchase of business	—	1,606

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing

	Share capital (including share premium) \$'000	Bank loan \$'000	Advances from the then shareholders \$'000
At 1 April 2000	—	—	—
New bank loan	—	16,962	—
Advances from the then shareholders	—	—	22,697
At 31 March 2001	—	16,962	22,697
At 1 April 2001	—	16,962	22,697
Cash inflow from issuance of shares	1	—	—
Shares issued under the Reorganisation (note 22(v))	1	—	—
Cash inflow from placing of shares (note (i))	77,827	—	—
Repayment of bank loan	—	(16,962)	—
Advances from the then shareholders	—	—	34,183
Conversion of advances to shares of China Bright (note (ii))	—	—	(54,183)
Repayment to the then shareholders	—	—	(2,697)
At 31 March 2002	77,829	—	—

Notes:

- (i) The Group raised approximately \$77,827,000 (net of related expenses) from placing of shares upon the Company's listing on the GEM.
- (ii) An advance brought forward from the previous year of \$20,000,000 together with advances of \$34,183,000 obtained during the year from the then shareholders were settled by issuance of shares of China Bright to the then shareholders in September 2001.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

25 Commitments

(a) Capital commitments

Capital commitments in respect of the construction of a factory, its renovation and purchases of plant and machinery and other fixed assets outstanding at 31 March 2002 not provided for in the financial statements were as follows:

	The Group	
	2002 \$'000	2001 \$'000
Contracted for	4,395	628
Authorised but not contracted for	—	14,135
	4,395	14,763

(b) Operating lease commitments

At 31 March 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company
	2002 \$'000	2001 \$'000	2002 \$'000
Within 1 year	3,891	452	2,409
After 1 year but within 5 years	2,091	415	1,925
	5,982	867	4,334

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

26 Retirement benefits schemes

Hong Kong

Since 1 December 2000, the Hong Kong subsidiary is required to join the Mandatory Provident Fund (the "MPF"), managed by an independent approved MPF trustee, under the requirements of the Hong Kong Mandatory Provident Fund Schemes Ordinance.

A Mandatory Provident Fund Scheme (the "MPF Scheme") has been set up by the Group for this purpose and employer's contributions are made under the MPF Scheme. Contributions are made based on 5% of each employee's salary subject to a cap of monthly salary of \$20,000, and are charged to the income statement as they became payable in accordance with the rules of the MPF Scheme.

PRC, other than Hong Kong

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

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

27 Related party transactions

During the year, the Group entered into the following material transactions with related parties:

	2002 \$'000	2001 \$'000
Beijing Fangze		
- escrow fund in respect of construction project (note (i))	28,328	10,000
Electric Orange		
- deposits in respect of promotion campaigns (note (ii))	1,500	1,000
Advances from the then shareholders (note (iii))	34,183	22,697

Notes:

- (i) Beijing Fangze, a company controlled by two directors, was appointed as the project manager for the construction of the new factory in Beijing. Beijing Fangze agreed that no project management service fee would be charged to the Group in this regard. Payments totalling \$10,000,000 and \$28,328,000 during the years ended 31 March 2001 and 2002 respectively, were paid to Beijing Fangze as an escrow fund for payments to individual contractors.
- (ii) Electric Orange, a company controlled by a director of the Company, was appointed as the product promotion manager, which advises the Group on product promotion campaigns. Electric Orange agreed that no product promotion service fee would be charged to the Group in this regard. Downpayments of \$1,000,000 and \$1,500,000 were paid to Electric Orange during the years ended 31 March 2001 and 2002 respectively. However, the appointment was terminated during the year ended 31 March 2002 and the amounts were settled during the year.
- (iii) Advances from the then shareholders were used for capital contribution to BJ Limited and purchase consideration for acquisition of a business. During the years ended 31 March 2001 and 2002, approximately \$22,697,000 and \$34,183,000, respectively were advanced from the then shareholders. The advances were unsecured and interest-free. Advances totalling \$54,183,000 were settled by issuance of shares of China Bright to the then shareholders in September 2001. The remaining balance of \$2,697,000 was repaid during the year.

28 Ultimate holding company

The directors consider the ultimate holding company at 31 March 2002 to be Bio Garden Inc., which was incorporated in the British Virgin Islands.

Financial Summary

(Expressed in Hong Kong dollars)

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

RESULTS

	Period From 17 November 1999 to 31 March 2000 \$'000	Year ended 31 March 2001 \$'000	Year ended 31 March 2002 \$'000
Turnover	—	16,983	78,597
Profit/(loss) from operations	(147)	6,004	41,876
Finance cost	—	(163)	(283)
Profit/(loss) before taxation	(147)	5,841	41,593
Taxation	—	—	—
Profit/(loss) attributable to shareholders	(147)	5,841	41,593

ASSETS AND LIABILITIES

	As at 31 March		
	2000 \$'000	2001 \$'000	2002 \$'000
Fixed assets	—	280	868
Construction in progress	—	4,364	79,729
Goodwill	—	894	796
Current assets	—	52,381	114,101
Total assets	—	57,919	195,494
Current liabilities	(137)	(52,215)	(16,384)
Net assets/(liabilities)	(137)	5,704	179,110

The Company was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liabilities under the Companies Law (2001 Second Revision) of the Cayman Islands. The Company became the holding company of the Group on 18 December 2001 through a reorganisation (the "Reorganisation"). The Group has been treated as a continuing entity and accordingly, the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for the above periods presented, rather than from 18 December 2001.

Financial Summary

(Expressed in Hong Kong dollars)

The consolidated results of the Group for the period from 17 November 1999 to 31 March 2000 and for the years ended 31 March 2001 and 2002 include the results of the Company and its subsidiaries with effect from 17 November 1999 or since their respective dates of incorporation, whichever is a shorter period. The Group's assets and liabilities at 31 March 2000 and 2001 is a combination of the assets and liabilities of the companies comprising the Group at 31 March 2000 and 2001.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Golden Meditech Company Limited (the "Company") for the year 2002 will be held at CHATER ROOM IV, THE RITZ-CARLTON, 3 CONNAUGHT ROAD CENTRAL, HONG KONG on 30 July 2002 (Tuesday) at 3:00 p.m. for the following purposes:

1. to consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors (the "Directors") of the Company and of the auditors for the year ended 31 March 2002;
2. to re-elect retiring Directors;
3. to authorise the Directors to fix the Directors' remuneration;
4. to re-appoint the retiring auditors, KPMG, and to authorise the Directors to fix their remuneration; and
5. by way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT:

- (a) subject to paragraph (c) of this Resolution, the board of Directors (the "Board") be and is hereby granted an unconditional general mandate to exercise during the Relevant Period (as hereinafter defined in this Resolution) all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the Company (the "Shares") or securities convertible or exchangeable into Shares, and to make or grant offers, agreements, options, warrants or similar rights in respect thereof;
- (b) the mandate referred to in paragraph (a) shall authorise the Board during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to options or otherwise) by the Board pursuant to the mandate referred to in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue;
 - (ii) the exercise of rights of subscription or conversion under the terms of any warrants or convertible securities issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of the subscription rights under options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to officers and/or employees and/or consultants and/or advisors of the Company and/or any of its subsidiaries of Shares or rights to subscribe for Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares or other securities of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval in paragraph (a) shall be limited accordingly;

Notice of Annual General Meeting

- (d) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest; and

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

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

“THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Board of all the powers of the Company during the Relevant Period (as hereinafter defined in this Resolution) to repurchase Shares be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased by the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”), or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Exchange under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

- (c) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest.”

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

“THAT conditional upon the passing of Resolutions No. 5 and 6 set out in this notice, of which this Resolution forms part, the aggregate nominal amount of share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Board pursuant to and in accordance with the mandate granted under Resolution No. 5 be and is hereby increased and extended by the addition thereto of the aggregate nominal amount of Shares repurchased by the Company pursuant to and in accordance with the mandate granted under Resolution No. 6, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

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

“THAT:

- (a) subject to the approval of the listing of and permission to deal in the Shares which fall to be allotted and issued by the Company pursuant to the exercise of any options granted under the share option scheme of the Company (the “Scheme”, the rules of which are set out in a document submitted to the meeting marked “A” and signed for the purpose of identification by the Chairman) by the GEM Listing Committee of the Exchange, such Scheme be and is hereby approved and adopted and the Board be and is hereby authorised to take all such steps as it may deem necessary, desirable or expedient to carry into effect, vary or amend the Scheme subject to the terms of the Scheme and Chapter 23 of the Rules Governing the Listing of Securities on the GEM of the Exchange (as amended from time to time); and

Notice of Annual General Meeting

- (b) the Board be and is hereby authorised to grant options to subscribe for Shares in accordance with the rules of the Scheme, to allot and issue Shares pursuant to the exercise of the options so granted, to administer the Scheme in accordance with its terms and to take all necessary actions incidental thereto as the Board deems fit."

By Order of the Board

Golden Meditech Company Limited

Kong Kam Yu

Company Secretary

Hong Kong, 20 June 2002

Notes:

1. The register of members of the Company will be closed from Friday, 26 July 2002 to Tuesday 30 July 2002, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending the annual general meeting convened by the above notice, all transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 25 July 2002.
2. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or, if he holds two or more Shares, more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's principal place of business in Hong Kong, that is, Suite A, 36/F, Bank of China Tower, 1 Garden Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
4. If two or more persons are joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.
5. Explanatory statements setting out further information regarding Resolutions No. 6 and 8 above will be despatched to members of the Company together with the 2001/2002 Annual Report.