



GOLDEN MEDITECH COMPANY LIMITED
金 衛 醫 療 科 技 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002/2003

GOLDEN
MEDITECH
COMPANY
LIMITED





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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.

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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.

Executive Directors

Kam Yuen (*Chairman*)
 Chau Mei Chun
 Lu Tian Long
 Jin Lu
 Zheng Ting

Non-executive Director

Leung Shi Wing

Independent Non-executive Directors

Gao Zong Ze
 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

11 Wanyuan Street
 Beijing Economic-Technological
 Development Area
 Beijing, China

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 Zong Ze (*Chairman*)
 Gu Qiao

Authorized Representatives

Kam Yuen
 Chau Mei Chun

Legal advisers to the Company

as to Hong Kong law
 Jones Day

as to PRC law
 C & I Partners

Auditors

KPMG

Sponsor

ICEA Capital Limited

Principal share registrar and transfer office in Cayman Islands

TruLaw Corporate Services Ltd.

Branch share registrar and transfer office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal bankers

The Industrial and Commercial Bank of
 China - Beijing Branch

Bank of China (Hong Kong) Limited

Public relations consultants

Strategic Financial Relations (China) Limited

CORPORATE PROFILE

Golden Meditech Company Limited (the “Company” or “Golden Meditech”, together with its subsidiaries, the “Group”) aims to become one of the leading medical device manufacturers in the People’s Republic of China (the “PRC”). The Group develops advanced medical devices especially in the field of blood-related treatments and therapies.

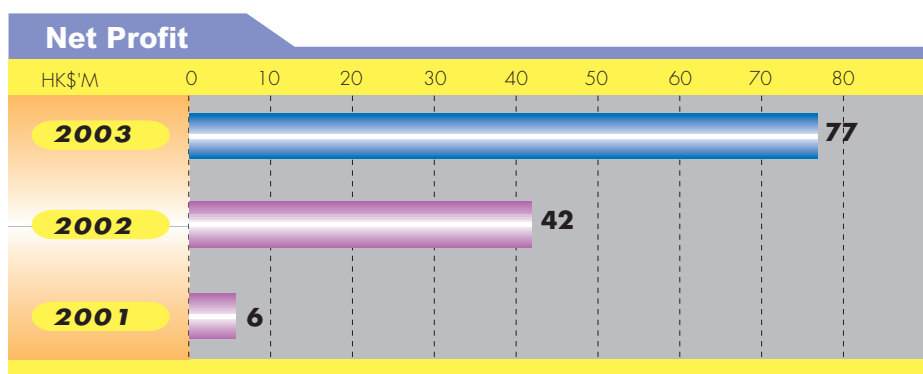
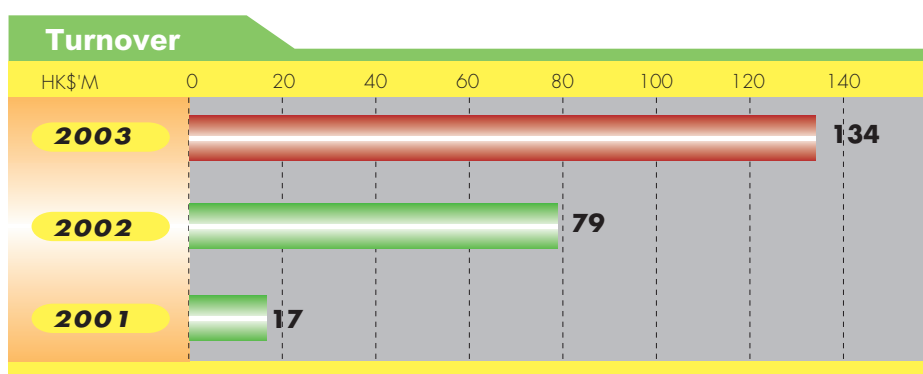
Over the years, the Group has designed and developed advanced medical devices aimed specifically at the PRC market. In 2000, the Group launched the first domestically manufactured autologous blood recovery system (known as “ABRS”) in the PRC. In December 2002, the Group obtained the approval from the State Drug Administration Bureau (“SDA”) to manufacture and sell the latest product: portable version of ABRS (“Portable ABRS”) in the PRC. Portable ABRS is designed for use by emergency units such as ambulances and remote region operators such as mine operators, oil rig operators etc. whereas ABRS is aimed at operating theatres in hospitals.

Today, blood transfusions in China face two serious problems: blood supply shortages and blood contaminations. Accordingly, providing China’s huge population with safe blood products is an ongoing concern for the Ministry of Health (“MOH”) of the PRC. ABRS is a standard technology used world-wide to salvage blood lost by a patient during surgery. The blood is collected, sterilised and preserved for re-infusion into the patient. This method is an alternative to traditional blood transfusions which require donors’ blood.

The Group is committed to providing the medical industry with world class medical devices based on its close cooperation with leading research institutes and its in-depth knowledge of the PRC’s medical devices market. Its commitment to product development is a key contributing factor to its success in the medical devices industry.

Apart from its core operations, the Group pursues valuable business opportunities to enhance shareholders’ value. In March 2003, the Group, in partnership with the GE Medical Systems Division of General Electric Corporation, USA, completed its first ever investment, namely, investment in Beijing Yuande Biological and Engineering Company Limited (“Beijing Yuande”). Beijing Yuande is engaged in the manufacture and sale of high intensity focused ultra-sonic (“HIFU”) medical devices. The HIFU medical device carries out non-invasive surgery to destroy tumour cells in cancer patients. The HIFU medical device has already received the SDA approval and is used by a number of hospitals in the PRC. The estimated global market for this product is enormous, as the number of patients suffering from cancer continues to increase around the world.

The Group’s mission is to become a leading medical devices manufacturer specialising in developing blood related treatments and therapies. Leveraging on its strong development capabilities, the Group will continue to focus on developing new and innovative products and at the same time, pursuing business opportunities with a view to bringing long-term benefits to its loyal shareholders.



	2003 HK\$'000	2002 HK\$'000	%Change
Operating results			
Turnover	133,580	78,597	70%
Gross profit	97,080	56,493	72%
Net profit	76,543	41,593	84%
Gross profit margin	73%	72%	1%
Net profit margin	57%	53%	4%
Earnings per share	HK16.5 cents	HK12.7 cents	30%
Dividend	HK3 cents	NIL	N/A
Financial position			
Total assets	439,747	195,494	125%
Cash and bank balances	160,215	54,869	192%
Shareholders' funds	389,065	179,110	117%
Financial ratios			
Gearing ratio	NIL	NIL	N/A
Current ratio	5.1	7.0	(27%)
Operating data			
Machines (sets)	1,095	636	72%
Disposable Chambers (units)	26,651	16,672	60%



Chairman's Statement



TO OUR SHAREHOLDERS

I am delighted to report the robust performance of the Group achieved during the financial year under review. The Group has delivered the results we set out to accomplish in its last annual report. This year also marked several significant developments in the Group's history. Looking forward, the Group will continue to focus on its innovative product development programme, whilst searching for new business opportunities with a view to bringing long term benefits to its loyal shareholders. To reward shareholders, the directors (the "Directors") recommend to declare a final dividend of HK3 cents per share for the year ended 31 March 2003.

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK\$134 million up from HK\$79 million for the year ended 31 March 2002, which resulted in an increase in profit before tax of approximately HK\$77 million as compared to HK\$42 million achieved in last financial year. Basic earnings per share ("EPS") were HK16.5 cents, an increase of 30%. The lower than expected increase in EPS this year was caused by the placement of 70 million new shares at HK\$2 each in July 2002. The funds raised were utilised to fulfil the investment requirement in Beijing Yuande with the balance intended to be used in other suitable business opportunities which the Group may come across in the future. With the completion of the investment in Beijing Yuande, the Group will continue to seek other suitable business investment opportunities so as to strengthen the Group's position in the medical equipment sector.

BUSINESS REVIEW

Since the launch of the first domestically manufactured ABRS in July 2000, our ABRS product has been well received by surgeons throughout the PRC. More and more hospitals are adopting and deploying the systems in their operating theatres. This has pushed the sales of autologous blood recovery machines ("Machines") to over 1,000 sets for the year ended 31 March 2003, together with over 26,000 single-use disposable chambers ("Disposable Chambers"). We believe that there are significant advantages in patients relying on their own blood to replace blood loss during surgery as traditional blood transfusions are not 100% safe.

Because of the persistent blood supply and demand imbalance, our ABRS product was selected by the MOH in early 2003 for promotion of nationwide adoption of ABRS systems in hospitals. With the support from the MOH, we believe that the future for our ABRS products is very promising.

Meanwhile, we received SDA approval for Portable ABRS in late 2002. This product has already been launched in the market in the first quarter of 2003/04, and responses from customers have so far been highly encouraging. Two very promising projects in the pipeline, namely, plasma exchange equipment and blood collection equipment, are expected to receive SDA approval. These product developments have reached the final stages well ahead of the original planned schedules. Preliminary studies on these new products indicate very exciting sales prospects.





BEIJING YUANDE

In the past, the Group has concentrated on supplying medical equipment relating to blood treatment and therapies. In March 2003, the Company completed the investment in Beijing Yuande by teaming up with the renowned medical devices company, GE Medical Systems Division of General Electric Corporation, USA. Beijing Yuande specialises in non-invasive

HIFU technology to remove tumour cells in cancer patients. Such investment was the Group first move to diversify into non-blood related medical equipment. We believe that our close collaboration with one of the world's top-notch companies will strengthen our position in the PRC, and at the same time, create opportunities for the Group to promote its products to international markets.

PRODUCTION

I am pleased to announce that the production facilities located in Beijing Economic-Technological Development Area have commenced operation since October 2002. This represents the single largest investment the Group has ever made in its history. The new facilities will lay down the foundation for the Group to launch new products in the future.

LOOKING FORWARD

Our corporate strategy is to build upon the success of our ABRS products. We will continue to focus on expanding the share of ABRS market and consolidating our leading position in the PRC medical equipment industry, and at the same time, apply surplus resources generated from the ABRS products for reinvestment in our innovative product development programmes. Furthermore, we will continue to examine and invest in genuine business opportunities with a view to further enhancing shareholders' value.

APPRECIATION

I would like to pay tribute and offer special thanks, on behalf of all shareholders, to the management team and all the Group's employees for delivering such excellent results during this year, and for creating a solid base to support the growth of the Group for the coming year. I would also like to thank the shareholders for their continuing support. We look forward to another exciting year in the Group's history.

Kam Yuen
Chairman

Hong Kong, 24 June 2003





ABRS

ABRS



Your life's blood is our life's work



ABRS

ABRS





MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The year ended 31 March 2003 has been an exciting year for the Group. The Group has not only achieved exceptional financial results this year, but is also establishing itself as a leading advanced medical devices manufacturer in one of the fastest growing economies in the world. Management has identified the key factors for the Group's successes to be: an innovative product development programme, in-depth knowledge of the PRC medical equipment market, a strong brand name and a nationwide distribution network. The Group will continue to strengthen its leading position in the PRC medical equipment sector to sustain long-term profitability.

BUSINESS REVIEW

During the year ended 31 March 2003, the Group saw strong demand for its ABRS Machines and Disposable Chambers, which drove revenues up to HK\$120,415,000 and HK\$13,165,000 respectively, resulting in an overall 70% increase compared to the last financial year. The Group has sold approximately 1,100 Machines and 27,000 units of Disposable Chambers during the year ended 31 March 2003. More than 500 hospitals across the PRC are now using ABRS in their operating theatres. Persistent blood supply shortages together with the risks of contaminated blood supply have buoyed the demand. These market dynamics continue to underscore the benefits of the Group's technology. During the year, the Group received regulatory clearance to manufacture and sell Portable ABRS which is designed for emergency situations. Management expects immediate profit contribution from the new product.



The gross profit margin improved to 73% up from the 72% achieved in last financial year, despite the increase in depreciation charges associated with the opening of new production facilities. The improvement in gross profit margin was mainly attributable to the falling prices of certain major raw materials.

The upbeat financial performance this year was further boosted by the receipt of a VAT rebate of HK\$11,681,000. The Group is entitled to such concession pursuant to a notice issued by the state tax bureau in July 2002. According to the concession notice which remains effective until December 2006, the Group is entitled to a rebate of the certain VAT paid in respect of the sales of software products embedded in the Machines. The Group can extend this VAT rebate notice to 31 December 2010 upon renewal of the software product certificate.

With the increase in profit before tax, EPS rose 30% to 16.5 cents. The lower-than-expected increase in the EPS was due to the enlargement of the Company's share capital from a placement of 70 million new shares during the year. In view of the volatile market situation, the capital raised from the placement but not yet used has generally been deposited in banks despite low interest rates prevailing at the moment.

MAJOR DEVELOPMENTS

New production facilities

The Directors are pleased to announce that the new production facilities located in the Beijing Economic-Technological Development Area, which began construction in May 2001, was finally completed at a total cost of HK\$119 million and put into operation in October 2002. The new production facilities accommodate a highly purified workshop, semi-automated production lines and hi-tech intelligent office building. The board of Directors (the "Board") believes that the expansion of production capacities will resolve the bottleneck problem the Group previously faced, providing a concrete base for launching new products. The current production capacity is expected to adequately fulfill anticipated increase in sales orders in the next two to three years.

Product liability insurance

The high quality and safety standards of the Group's ABRS product were re-affirmed with the initial coverage of product liability insurance, underwritten by one of the leading insurance companies in the PRC. The Group's ABRS product passed strict safety controls imposed by the insurance company before it was offered insurance coverage.

Capital enlargement

To strengthen the Group's capital structure and take advantage of new business opportunities, the Company originally planned to place 50 million shares at HK\$2 each in July 2002. Due to overwhelming demand, the over-allotment option was fully exercised and an additional 20 million shares were issued, raising net proceeds of HK\$133 million, part of which financed the investment in Beijing Yuande.

MATERIAL INVESTMENT

On 19 March 2003, the Company announced the completion of a 25% investment in the registered capital of Beijing Yuande together with the GE Medical Systems Division of General Electric Corporation, USA for a cash consideration of approximately US\$5 million. Beijing Yuande is principally engaged in the development, manufacture and sale of HIFU medical devices for the treatment of tumour cells. Management believes that the investment in Beijing Yuande will provide the Group with various synergies and is complementary to the Group's core business.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

The Group generally financed its operations and expansion with internally generated cashflows. To strengthen the Group's financial position and capture new business opportunities arising in the ever-changing medical industry, the Company placed 70 million new shares at HK\$2 each in July 2002.

As at 31 March 2003, total cash held by the Group amounted to HK\$160,215,000. Because of the strong cash position, the Group has not sought any bank borrowings during the year and thus, the gearing ratio as at 31 March 2003 (which is expressed as a percentage of total bank borrowings over total assets) was nil (2002: Nil).

Most of the capital commitments relating to the construction of the Group's production facilities in Beijing were financed either from the proceeds raised from the initial public offering or from internally generated resources. Management does not anticipate any significant capital requirement for the existing operations in the coming year.

In case additional resources are required, the Group is in an excellent position to obtain the necessary finances. Management will structure new finances in such a way to enhance shareholders' value.

Exchange risk

The Group's sales and purchases are mainly transacted in Renminbi. Since the exchange rate fluctuation between Hong Kong Dollars and Renminbi is minimal, management considers that the exchange risk the Group is exposed to is very low and accordingly, no hedging arrangement was made during the year ended 31 March 2003.

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 condition of its customers. To manage liquidity risk, management closely monitors the liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements.

EMPLOYEES

The Group has 176 full-time employees in Hong Kong and the PRC. During the year under review, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$6,987,000 (2002: HK\$2,522,000). The increase in staff costs was mainly due to the increase in staff numbers and Directors' bonus scheme. Pursuant to the Directors' bonus scheme, Directors are entitled to not more than 5% of the profit before tax as long as the profit before tax exceeds the threshold level of HK\$42 million.

On 30 July 2002, the Company in general meeting passed an ordinary resolution to adopt a share option scheme ("Share Option Scheme") enabling the Directors to grant options to full-time employees (including executive Directors) to subscribe for shares in the Company. On 31 March 2003, the Company granted share options to certain full time employees, full and effective exercise of which will result in an aggregate of 5% of the total issued and outstanding shares in the Company being issued to such persons.

The Group has long recognised the importance of its employees. Employees' salaries are therefore determined at competitive levels while employees with outstanding performances are rewarded with discretionary bonuses and share options.

CONTINGENT LIABILITIES

As at 31 March 2003, the Group had no contingent liabilities (2002: Nil).

The Company raised approximately HK\$78 million and HK\$133 million, net of expenses, from the issue of 115 million shares upon its initial listing on the GEM in December 2001 and the placement of 70 million shares in July 2002 respectively.

The Group has utilised about HK\$97 million of the net proceeds in accordance with the statement of business objectives as set out in the prospectus dated 19 December 2001 (the "Prospectus") and the use of proceeds as set out in the circular dated 30 July 2002 (the "Circular") as follows:

		Planned use of net proceeds as set out in the Prospectus and the Circular (HK\$'million)	Actual use of net proceeds (HK\$'million)
<i>Note</i>			
<i>As stated in the Prospectus</i>			
Construction of production facilities		38.0	38.0
Purchase of production equipment		15.0	15.0
Research and development		3.0	2.8
Advertising and promotion		3.3	1.5
		<u>59.3</u>	<u>57.3</u>
<i>As stated in the Circular</i>			
Investment in Beijing Yuande	1	<u>50.0</u>	<u>39.5</u>

Note:

- 1 The Group negotiated with the management of Beijing Yuande to obtain more favourable terms in acquiring the interest in the company. As a result, a lesser amount was used to pay for the stake in Beijing Yuande.

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

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

**Actual business progress from
1 April 2002 to 31 March 2003**

1. Sales and distribution

Sales of Disposable Chambers account for a larger proportion of the Group's turnover and net after-tax profit.

The bottleneck problem in the manufacturing of Disposable Chambers was finally resolved following the commencement of operation of the new production facilities. Management has seen a steady increase in usage of ABRS during the year. This has resulted in a surge in unit sales of Machines and Disposable Chambers. However, as there is a huge price difference between Machines and Disposable Chambers, share of Disposable Chambers in terms of the Group's aggregate turnover and net profit after tax dropped slightly compared to last financial year.

The Group plans to set up sales liaison offices in the eastern coastal region of the PRC.

Following a thorough review, management decided that it was not in the best interests of the Group to establish these offices in the eastern coastal regions at this stage. The Group could manage the sales functions and maintain high-quality customer relationship through existing sales teams based in Beijing and its nationwide distribution network. Management will closely monitor the situation and will establish these offices at the appropriate time.

2. Research and development

Preclinical testing on the Portable ABRS will be carried out, which the Directors estimate will take approximately 4-6 months.

The Group obtained approval from the SDA for its Portable ABRS well ahead of the original schedule. The Group has already launched the product in the market in the first quarter of 2003/04.

The Group will continue research and development on its blood component extraction system (the "Extraction System") and whole blood protein recovery system (the "Protein System").

Significant progress has been made on these projects, and the Group is now undergoing clinical trials on the Extraction System and preliminary studies on the effectiveness of the Protein System. If all these developments advance according to the Group's development plans, the Group will be able to launch these products by the financial year ended 31 March 2005. This will enlarge the Group's product portfolio and provide the Group with additional valuable sources of revenue.

Approximately HK\$1 million is expected to be applied annually to research studies being carried out by the Blood Transfusion Research Institute of the Military Medical Science University (the "Institute").

The Group has entered into a 5-year co-operation agreement with the Institute to research on blood purification and blood preservation technologies. Payments are made to the Institute accordingly. The Institute has made progress on these two technologies, and the Directors believe that their findings will be very useful in developing new products.

3. Production

The Group will apply for ISO 9001 accreditation in the name of Beijing Jingjing Medical Equipment Co., Ltd. ("BJ Limited") shortly after the operation of its new production facilities are in order.

The Group's production and operational procedures prior to completion of the new plant passed ISO 9001 requirements. As a medical device company, the Group takes quality seriously. The Directors have implemented the existing production procedures at the new production facilities to ensure that the Group fully complies with ISO 9001 standards and stands at the forefront of medical device legislation.

4. Promotion

Aggressive promotion campaigns will be launched to enhance the Group's brand name. Advertisements will be placed in professional medical magazines, and the Group will sponsor blood-related campaigns launched by the SDA, the MOH etc., as well as organise seminars and participate in medical equipment trade fairs.

The Group has launched a series of promotion campaigns, participated in a number of industry-related exhibitions across the PRC and placed advertisements in professional medical magazines to generate awareness and attract the attention of doctors and medical specialists.

The Group has made significant inroads in establishing its own brand name in the PRC.

DIRECTORS

Executive Directors

Mr. Kam Yuen (甘源), aged 40, 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. Mr. Kam graduated from Beijing Second Foreign Languages Institute (北京第二外國語學院), the PRC in 1985 and has more than 16 years of management experience in business and international trade.

Ms. Chau Mei Chun (周美珍), aged 38, is an Executive Director of the Company. She has extensive experience in business management. Ms. Chau joined the Group in July 2001 and is responsible for customer relationship and marketing of the Group. Ms. Chau is the spouse of Mr. Leung Shi Wing, a Non-executive Director of the Company.

Mr. Lu Tian Long (魯天龍), aged 51, has been an Executive Director of the Company since September 2001. He has also been appointed as Director and General Manager of BJ Limited, a wholly owned subsidiary of the Company. He is responsible for the production, operations and management of BJ Limited.

Ms. Jin Lu (金路), aged 37, is an Executive Director of the Company. She joined the Group in June 2000 and is in charge of the general administration and daily operations of the Group. Ms. Jin graduated from School of International Business Management of University of International Business and Economics (中國對外經濟貿易大學國際工商管理學院) in 2002.

Ms. Zheng Ting (鄭汀), aged 30, is an Executive Director of the Company and is responsible for the Group's financial and internal control systems. Ms. Zheng joined the Group in June 2001. Prior to joining the Group, she worked as senior audit manager and planning manager in a reputable accounting firm in the PRC. Ms. Zheng 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 52, is the 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. Mr. Leung is the spouse of Ms. Chau Mei Chun, the Executive Director of the Company.

Independent Non-executive Directors

Mr. Gu Qiao (顧樵), aged 56, joined the Group in September 2001 as 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 his doctorate degree from Northwest University, the PRC in 1989.

Mr. Gao Zong Ze (高宗澤), aged 63, 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") in 2000. As at 31 March 2003, the Technology Board comprised more than 40 experienced medical officers. The primary responsibilities of this committee are (i) to develop the Group's key technical strategies; (ii) to monitor the progress of major technical programmes; 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 Ming Li, Chairman of the Technology Board, Dr. Pei Xue Tao, Prof. Wang Bao Guo and Dr. Tian Ming.

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

Dr. Pei Xue Tao (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 the 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 Bao Guo (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.

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 degree of Anaesthesia in 1996 and has worked in a number of renowned hospitals in the PRC 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. In addition to publishing articles on his specialty, he also spends his time on the research of autologous blood transfusions. With his substantial experience in teaching, Dr. Tian received two outstanding teacher's awards in 2000.

SENIOR MANAGEMENT

Mr. Lu Shu Qi (路書奇), aged 55, Deputy General Manager of BJ Limited, is responsible for the production, general management and daily operations of BJ Limited. He graduated from Tsinghua University (清華大學) and has more than 20 years' management experience in the PRC.

Mr. Zhang Ji Hong (張積宏), aged 51, Deputy General Manager of BJ Limited, is in charge of administration, merchandise and supplies and subcontracting works. He has more than 20 years' experience in the manufacturing industry in the PRC. He studied at the financial and accounting department of the Second Branch of Peking University (北京大學二分院).

Mr. Gao Guang Pu (高光譜), aged 40, Quality Control Manager of BJ Limited, is in charge of quality control of the Group's products. He is also responsible for various aspects of the Group's production technology, including product standards, production procedures technology improvements etc.

Mr. Kong Kam Yu (江金裕), aged 34, is a qualified accountant and Company Secretary of the Group. He joined the Group in 2001, and is responsible for the Group's finance, corporate projects and company secretarial matters. Prior to joining the Group, Mr. Kong worked with a leading international accounting firm in Hong Kong.

Ms. Cui Qi (崔琪), aged 50, Finance Manager of BJ Limited, is currently in charge of the BJ Limited's financial systems. 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.

Mr. Liang Bing Yue (梁冰岳), aged 38, is the Sales Manager of the Group. Mr. Liang graduated from the Fourth Military Medical University of the People's Liberation Army with a doctor degree in 1989. He has over 8 years' sales and marketing experience in medical industry in the PRC and is very familiar with the PRC's medical industry. He is highly experienced in drawing up sales and marketing strategies and opening up new sales channels.

Ms. Du Ning (杜寧), aged 33, is Personal Assistant to General Manager of BJ Limited and is also BJ Limited's Human Resources Manager. She is currently in charge of human resources matters as well as daily general administration matters of BJ Limited. Ms. Du graduated from the Medical College of the People's Liberation Army in 1994. She has over 10 years' experience in human resources affairs and daily office administration. Ms. Du previously worked in the Government Offices Administration of the State Council.

The directors (the "Directors") have pleasure in submitting their annual report together with the audited financial statements of Golden Meditech Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of blood recovery machines ("Machines") and disposable blood processing chambers and related accessories ("Disposable Chambers"). Details of the subsidiaries and an associate are set out in notes 15 and 16 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 and value added tax. 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 and cash flows of the Group for the year ended 31 March 2003 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 30 to 60 of this annual report.

DIVIDENDS AND RESERVES

The Directors recommend the payment of a final dividend of HK3 cents (2002: HK\$Nil) per share in respect of the year ended 31 March 2003.

Details of the movements in reserves of the Company and the Group during the year are set out in note 24 on the financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 13 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 on the financial statements. Shares were issued during the year to broaden the capital base of the Company.

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	43%	
Five largest customers in aggregate	92%	
The largest supplier		32%
Five largest suppliers in aggregate		83%

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.

DIRECTORS

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

Executive Directors

Mr. Kam Yuen, Chairman
 Ms. Chau Mei Chun
 Mr. Lu Tian Long
 Ms. Jin Lu
 Ms. Zheng Ting

Non-executive Director

Mr. Leung Shi Wing

Independent non-executive Directors

Mr. Gao Zong Ze
 Mr. Gu Qiao

In accordance with article 112 of the Company's articles of association, Mr. Lu Tian Long and Ms. Jin Lu 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 19 to 21 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 of Directors ("the Board") promptly and fully informed of his/her conduct of business affairs, among other commitments.

The unexpired periods of the service contracts for each of the Directors are approximately one year and nine months as at 31 March 2003. Save as disclosed above, no other Director 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 March 2003, according to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the Directors' interests in the shares of the Company were as follows:

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>)	—	—	—	—	—
Mr. Leung Shi Wing (<i>Note</i>)	—	—	—	—	—

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 in the Company at 31 March 2003.

Save as disclosed above, as at 31 March 2003, none of the Directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the equity or debt of the Company, or any of its associated corporations as defined in the SDI Ordinance, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or were required to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Rules 5.41 to 5.58 of the GEM Listing Rules.

SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted on 30 July 2002, the Board may at its discretion grant options to executives and full-time employees (including Directors of the Company) (collectively referred to the "Participants") of the Group to take up options to subscribe for shares of the Company. The Scheme enables the Company to grant share options to Participants as incentives and rewards for their contribution to the Group.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2002, the date on which the Scheme was adopted. Pursuant to the Scheme, the total number of shares available for issue as at 24 June 2003 was 48,500,000 shares, representing 10% of the issued share capital of the Company as at such date.

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each Participant (including both exercised and outstanding options) in any twelve month period up to and including the date of offer must not exceed 1% of the shares in issue at the offer date.

The subscription price shall be determined by the Board, but shall not be less than the higher of the closing price of the shares of the Company on the offer date of the share option which must be a business day and the average closing price of the shares for the five business days immediately preceding the date of offer of the share option.

Share options granted shall be deemed to be accepted upon receipt of the acceptance of offer letter from the grantee on the date specified in the offer as the latest date for acceptance, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period notified by the Board to each grantee but may not be exercised after the expiry of 10 years from the offer date.

The Scheme will continue to be in full force and effect until the close of business on the business day immediately preceding 30 July 2012 (save that the Company, by ordinary resolution in general meeting, may at any time terminate the operation of the Scheme).

On 31 March 2003 the Company granted 24,250,000 options to Participants (including two Executive Directors) to subscribe for shares in the Company under the Scheme at an exercise price of HK\$1.15 per share. Shares of the Company were at a closing price of HK\$1.09 immediately before the day on which options were offered. Details of options granted are summarised as follows:

Name of Directors and employees	Exercisable period	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options outstanding as at 31 March 2003
Lu Tian Long	1 April 2003 to 16 March 2013	4,000,000	—	—	—	4,000,000
Zheng Ting	1 April 2003 to 16 March 2013	2,000,000	—	—	—	2,000,000
Full-time employees (other than Directors)	1 April 2003 to 16 March 2013	18,250,000	—	—	—	18,250,000
		24,250,000	—	—	—	24,250,000

The exercise of the above share options is subject to the following limit:

- (1) During the period immediately after the date of grant up to 12 months thereof, the option holder is entitled to exercise 30% of the share options;
- (2) During the period immediately after 12 months of the date of grant and up to 18 months thereof, the option holder is entitled to exercise up to 60% of the share options; and
- (3) Immediately after 18 months of the date of grant, the limits will cease and the option holder is entitled to exercise up to 100% of the share options.

The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and misleading. Therefore the Directors believe that the costs for disclosing the value of options do not justify for the benefits provided.

Apart from the foregoing, 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 of the Company 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 executives, their spouses or their children under the age of 18, had 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 2003, 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	49.2%

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

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

RETIREMENT SCHEMES

Details of the Group's retirement schemes for the year ended 31 March 2003 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 page 61 of this annual report.

COMPETITION AND CONFLICT OF INTERESTS

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

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the year.

AUDIT COMMITTEE

The Company established an audit committee ("Committee") on 15 December 2001 and has formulated its written terms of reference in compliance with Rules 5.23 to 5.27 of the GEM Listing Rules. The Committee's primary duties are to review and to supervise the financial reporting process and internal control systems 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 Zong Ze.

The Committee has met four times during the year, reviewing the Company's reports and financial statements, and providing advice and comments to the Board.

SPONSOR'S INTEREST

Pursuant to a sponsorship agreement entered into between ICEA Capital Limited (the "Sponsor") and the Company dated 18 December 2001, the Sponsor has received and will continue to receive fees for acting as the Company's sponsor and retained sponsor for the period till 31 March 2004. The Sponsor will also receive additional financial advisory and documentation fees for acting as the Company's financial adviser in relation to certain transactions.

According to the notification from the Sponsor, as at 31 March 2003, an associate of the Sponsor held 5,012,000 shares of the Company, representing approximately 1% of the issued share capital of the Company.

Save as disclosed above and to the best knowledge of the Sponsor, none of the Sponsor, its directors, employees and associates had any interests in the securities of the Company or any other member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any other member of the Group as at 31 March 2003.

AUDITORS

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

By order of the Board

Kam Yuen

Chairman

Hong Kong, 24 June 2003

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 30 to 60 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 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 24 June 2003

Consolidated Income Statement

for the year ended 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
Turnover	4	133,580	78,597
Cost of sales		(36,500)	(22,104)
Gross profit		97,080	56,493
Other revenue	5	12,891	314
Selling expenses		(5,134)	(5,781)
Administrative expenses		(28,294)	(9,150)
Profit from operations		76,543	41,876
Finance cost	6(a)	—	(283)
Profit before taxation	6	76,543	41,593
Taxation	7	—	—
Profit attributable to shareholders	10	76,543	41,593
Final dividend proposed after the balance sheet date	11	14,550	—
Earnings per share	12		
Basic (in cents)		16.5	12.7
Diluted (in cents)		16.5	N/A

The notes on pages 36 to 60 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003		2002	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	13		131,677		868
Construction in progress	14		7,176		79,729
Interest in associate	16		39,535		—
Goodwill	17		698		796
			179,086		81,393
Current assets					
Inventories	18	4,599		4,662	
Trade receivables	19	48,726		43,356	
Other receivables, deposits and prepayments	20	47,121		11,214	
Cash and bank balances	21	160,215		54,869	
		260,661		114,101	
Current liabilities					
Trade payables	22	29,236		9,473	
Other payables and accruals		21,446		6,911	
		50,682		16,384	
Net current assets			209,979		97,717
NET ASSETS			389,065		179,110
CAPITAL AND RESERVES					
Share capital	23		48,500		41,500
Reserves	24(a)		340,565		137,610
			389,065		179,110

Approved and authorised for issue by the board of directors on 24 June 2003

Kam Yuen
Director

Zheng Ting
Director

The notes on pages 36 to 60 form part of these financial statements.

Balance Sheet

at 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003		2002	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	13		8		—
Interest in subsidiaries	15		139,134		48,156
			139,142		48,156
Current assets					
Other receivables, deposits and prepayments	20	55,673		8,921	
Cash and bank balances	21	41,931		18,334	
		97,604		27,255	
Current liabilities					
Other payables and accruals		1,344		1,145	
Net current assets			96,260		26,110
NET ASSETS			235,402		74,266
CAPITAL AND RESERVES					
Share capital	23		48,500		41,500
Reserves	24(b)		186,902		32,766
			235,402		74,266

Approved and authorised for issue by the board of directors on 24 June 2003

Kam Yuen

Director

Zheng Ting

Director

The notes on pages 36 to 60 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2003

(Expressed in Hong Kong dollars)

	2003 \$'000	2002 \$'000
Total equity at 1 April	179,110	5,704
Exchange differences on translation of the financial statements of entities outside Hong Kong	220	(199)
Reserve arising from the Reorganisation	—	54,193
Net profit for the year	76,543	41,593
Movements in share capital		
- Shares issued	7,000	41,490
- Share premium arising from issue of shares	126,192	36,329
	133,192	77,819
Total equity at 31 March	389,065	179,110

The notes on pages 36 to 60 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
Operating activities			
Profit before taxation		76,543	41,593
Adjustment for:			
- Depreciation		3,487	116
- Amortisation of goodwill		98	98
- Interest income		(1,210)	(314)
- Interest expense		—	283
- Effect of foreign exchange rates		14	(155)
Operating profit before changes in working capital		78,932	41,621
Decrease in amount due from related companies		—	10,936
Decrease in inventories		63	570
Increase in trade receivables		(5,370)	(31,204)
Increase in other receivables, deposits and prepayments		(35,907)	(9,977)
Increase in trade payables		19,763	6,751
Increase/(decrease) in other payables and accruals		14,535	(2,923)
Cash generated from operations		72,016	15,774
Tax paid		—	—
Net cash from operating activities		72,016	15,774
Investing activities			
Payment for additions to construction in progress		(57,071)	(75,372)
Payment for purchase of fixed assets		(4,534)	(704)
Payment for purchase of an associate		(39,535)	—
Net increase in short term deposits maturing beyond three months		(38,222)	—
Interest received		1,210	314
Net cash used in investing activities		(138,152)	(75,762)

	Note	2003 \$'000	2002 \$'000
Financing activities			
Advances from the then shareholders		—	34,183
Repayment to the then shareholders		—	(2,697)
Repayment of bank loans		—	(16,962)
Net proceeds from the placing of new shares		133,192	77,828
Interest paid		—	(283)
Net cash from financing activities		133,192	92,069
Net increase in cash and cash equivalents		67,056	32,081
Cash and cash equivalents at 1 April		54,869	22,824
Effect of foreign exchange rates changes		68	(36)
Cash and cash equivalents at 31 March	21	121,993	54,869

The notes on pages 36 to 60 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Background

Golden Meditech Company Limited (the “Company”) was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands 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. The Directors are of the opinion that the financial statements for the year ended 31 March 2002 prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Exchange”) 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 year ended 31 March 2002 include the results of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation or establishment, where there is a shorter period.

3 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) 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. All material intra-group transactions and balances are eliminated on consolidation.

3 Significant accounting policies *(Continued)*

(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 to the income statement on a straight-line basis over its estimated useful life. Goodwill is stated at cost less accumulated amortisation and impairment losses.

(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) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 3(d) and impairment losses.

3 Significant accounting policies *(Continued)*

(g) 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:

Leasehold land	Over the remaining term of the lease
Buildings	10 - 30 years
Leasehold improvements	Shorter of the estimated useful lives and unexpired term of the leases
Machineries	5 -10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

(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.

(h) Construction in progress

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest expense 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 substantially complete and ready for its intended use.

3 Significant accounting policies *(Continued)*

(i) 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;
- investments in subsidiaries and associates.

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).

(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.

3 Significant accounting policies *(Continued)*

(j) 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.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) 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.

(m) 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.

3 Significant accounting policies *(Continued)*

(n) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(o) 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:

(i) Sale of goods

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

(ii) Government subsidies

Government subsidies are recognised as income in the accounting period in which it is earned.

(iii) 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.

(p) 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 companies 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.

(q) 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.

3 Significant accounting policies *(Continued)*

(r) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to defined contribution plan in the People's Republic of China ("PRC") and Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognised at that time. When the options are exercised, equity is increased by the amount of the proceeds received.

(s) 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.

(t) 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.

4 Turnover

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sales of 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 and value added tax.

Turnover recognised during the year may be analysed as follows:

	2003 \$'000	2002 \$'000
Sales of Machines	120,415	70,137
Sales of Disposable Chambers	13,165	8,460
	133,580	78,597

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

5 Other revenue

	2003 \$'000	2002 \$'000
Bank interest income	1,210	314
Government subsidies (<i>Note</i>)	11,681	—
	12,891	314

Note: Pursuant to the relevant government policies and approval document from the local government authorities dated 1 July 2002, the Group's PRC subsidiary is entitled to government subsidies which are calculated at approximately 14% of sales of software products embedded in the Machines for a period expiring in December 2006.

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2003 \$'000	2002 \$'000
(a) Finance cost:		
Interest on bank loan repayable within five years	—	283
(b) Staff costs:		
Salaries, wages and other benefits	6,811	2,401
Contributions to defined contribution plans	176	121
	6,987	2,522
Average number of employees during the year	161	90
(c) Other items:		
Depreciation	3,487	116
Auditors' remuneration	900	750
Operating lease charges in respect of		
- properties	3,406	2,071
- other assets	145	—
Research and development costs	1,881	899
Amortisation of goodwill	98	98

7 Taxation

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the year ended 31 March 2003 (2002: \$Nil) as the Group did not have any profits assessable 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 fully exempted from PRC income tax until 31 December 2003. Thereafter, the subsidiary will be entitled to a 50% reduction of PRC income tax for the next three years until 31 December 2006.

(iii) Deferred taxation

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

8 Directors' remuneration

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

	2003 \$'000	2002 \$'000
Fees	220	30
Salaries and other emoluments	1,819	402
Bonus	762	—
Retirement benefits	57	15
	2,858	447

Included in the directors' remuneration were fees of \$220,000 (2002: \$30,000) paid to the independent Non-executive Directors during the year.

The Executive Directors received remuneration of approximately \$1,423,532, \$372,000, \$280,900, \$280,900 and \$280,900 for the year ended 31 March 2003 and approximately \$153,000, \$93,000, \$57,000, \$57,000 and \$57,000 for the year ended 31 March 2002.

The Non-executive Directors received remuneration of approximately \$Nil, \$110,000 and \$110,000 for the year ended 31 March 2003 (2002: \$Nil, \$15,000, \$15,000).

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.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2002: four) are Directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2002: one) individual is as follows:

	2003 \$'000	2002 \$'000
Salaries, allowances and other benefits	835	190
Retirement benefits	12	4
	847	194

10 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of \$27,944,000 (2002 loss: \$3,563,000) which has been dealt with in the financial statements of the Company.

11 Dividend

Final dividend proposed after the balance sheet date
of 3 cents (2002: \$Nil) per share

2003 \$'000	2002 \$'000
14,550	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$76,543,000 (2002: \$41,593,000) divided by the weighted average number of 462,945,205 (2002: 328,794,521) shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for year ended 31 March 2003 is based on the profit attributable to shareholders of \$76,543,000 and weighted average number of shares of 462,964,741 shares after adjusting for the effects of all dilutive potential shares.

No diluted earnings per share is presented for year ended 31 March 2002 as there were no dilutive potential shares in existence for that year.

(c) Reconciliations

	2003 Number of shares
Weighted average number of shares used in calculating basic earnings per share	462,945,205
Deemed issue of shares for no consideration arising from share options	19,536
Weighted average number of shares used in calculating diluted earnings per share	462,964,741

13 Fixed assets

	The Group					
	Leasehold land and buildings	Leasehold improvements	Machineries	Motor vehicles	Furniture, fixtures and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:						
At 1 April 2002	—	—	693	—	360	1,053
Exchange adjustments	—	—	1	—	1	2
Transfer from construction in progress	110,585	6,437	12,507	—	231	129,760
Additions	1,004	—	222	2,417	891	4,534
Reclassification	—	—	—	151	(151)	—
At 31 March 2003	111,589	6,437	13,423	2,568	1,332	135,349
Aggregate depreciation:						
At 1 April 2002	—	—	73	—	112	185
Charge for the year	2,036	630	486	227	108	3,487
Reclassification	—	—	—	11	(11)	—
At 31 March 2003	2,036	630	559	238	209	3,672
Net book value:						
At 31 March 2003	109,553	5,807	12,864	2,330	1,123	131,677
At 31 March 2002	—	—	620	—	248	868

13 Fixed assets *(Continued)*

	The Company
	Equipment
	\$'000
<i>Cost:</i>	
At 1 April 2002	—
Additions	10
	<hr/>
At 31 March 2003	10
	<hr style="border-top: 1px dashed;"/>
<i>Aggregate depreciation:</i>	
At 1 April 2002	—
Charge for the year	2
	<hr/>
At 31 March 2003	2
	<hr style="border-top: 1px dashed;"/>
<i>Net book value:</i>	
At 31 March 2003	8
	<hr/>
At 31 March 2002	—
	<hr/>

The analysis of net book value of properties is as follows:

	The Group	
	2003	2002
	\$'000	\$'000
Outside Hong Kong		
- under medium-term lease	109,553	—
	<hr/>	<hr/>

14 Construction in progress

	The Group	
	2003 \$'000	2002 \$'000
At 1 April	79,729	—
Exchange adjustments	136	—
Additions	57,071	79,729
Transfer to fixed assets	(129,760)	—
At 31 March	7,176	79,729

Construction in progress as at 31 March 2003 represents renovation work in progress and machinery under installation.

15 Interest in subsidiaries

	The Company	
	2003 \$'000	2002 \$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	139,133	48,155
	139,134	48,156

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

The following list contains the particulars of subsidiaries which affect 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 and operations	Percentage of equity			Issued/ registered capital	Principal activities
		Group's effective holding	held by the Company	held by subsidiary		
China Bright Group Co. Limited	Hong Kong	100%	100%	—	\$13,158	Investment holding
Golden Meditech (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	—	US\$1	Investment holding
Beijing Jingjing Medical Equipment Co., Ltd. ("BJ Limited") #	PRC	100%	—	100%	US\$10,100,000	Manufacture and sales of Machines and Disposable Chambers

Registered under the laws of the PRC as foreign investment enterprise.

16 Interest in associate

	The Group	
	2003 \$'000	2002 \$'000
Share of net assets	31,912	—
Goodwill	7,623	—
	39,535	—

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by subsidiary	Issued/ registered capital	Principal activities
Beijing Yuande Biological and Engineering Company Limited	PRC	25%	RMB67,100,000	Manufacture and sales of high intensity- focused ultrasonic devices for treatment of tumours

The Group completed the acquisition of the associate in late March 2003. The results of the associate will be accounted for in the Group's financial statements with effect from April 2003.

17 Goodwill

	The Group	
	2003 \$'000	2002 \$'000
Goodwill	966	966
Less: Accumulated amortisation	(268)	(170)
	698	796

Goodwill is amortised on a straight-line basis over ten years.

18 Inventories

The Group	
2003 \$'000	2002 \$'000
Raw materials	600
Work in progress	1,038
Finished goods	3,024
4,599	4,662

None of the inventories is stated at net realisable value.

19 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	
2003 \$'000	2002 \$'000
Within 6 months	41,204
Between 7 and 12 months	1,377
Over one year	775
48,726	43,356

20 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments are earnest monies totalling \$40,000,000 in connection with a proposed investment in a PRC entity with operations in the medical industry. The amount would be refunded to the Company should agreement of commercial terms not be reached. The proposed investment was still in the process of negotiation at 31 March 2003.

21 Cash and bank balances

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deposits with banks	79,940	16,500	41,416	16,500
Cash at bank and in hand	80,275	38,369	515	1,834
	160,215	54,869	41,931	18,334
Short term deposits maturing beyond three months	(38,222)	—		
Cash and cash equivalents in the cash flow statement	121,993	54,869		

22 Trade payables

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

	The Group	
	2003 \$'000	2002 \$'000
Due within 3 months or on demand	29,236	9,473

23 Share capital

	2003		2002	
	No. of shares (‘000)	\$’000	No. of shares (‘000)	\$’000
<i>Authorised:</i>				
Ordinary shares of \$0.1 each	1,000,000	100,000	1,000,000	100,000
<i>Issued and fully paid:</i>				
At 1 April	415,000	41,500	10	10
Capital eliminated on consolidation	—	—	(10)	(10)
Issuance of shares	—	—	10	1
Issuance of shares for the acquisition of subsidiary	—	—	10	1
Capitalisation issue	—	—	299,980	29,998
Issuance of shares for cash (<i>Note</i>)	70,000	7,000	115,000	11,500
At 31 March	485,000	48,500	415,000	41,500

Note: The Company allotted and issued 70,000,000 shares of \$0.1 each at a price of \$2 per share in July 2002.

Pursuant to the share option scheme (the “Scheme”) adopted on 30 July 2002, the Directors may grant options to executives and full-time employees (including Directors of the Company) (collectively referred to the “Participants”) of the Group to take up options to subscribe for shares of the Company. The Scheme enables the Company to grant share options to Participants as incentives and rewards for their contribution to the Group.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2002, the date in which the Scheme was adopted. According to the Scheme, the total number of shares available for issue as at 31 March 2003 was 48,500,000 shares before granting of 24,250,000 shares.

23 Share capital *(Continued)*

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12 months period up to the date of offer must not exceed 1% of the shares in issue at the offer date.

The subscription shall be at a price determined by the Directors and shall not be less than the higher of the closing price of the share on the offer date of the share option and the average closing price of the shares for the five business days immediately preceding the date of offer date of share option.

Share options granted shall be deemed to be accepted upon receipt of the acceptance of offer letter from the grantee within 30 days from the offer date, together with a remittance in favour of the Company of \$1 by way of consideration for the grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period notified by the Board to each grantee but may not be exercised after the expiry of 10 years from the offer date.

The exercise of the above share options is subject to the following limit:

- (1) During the period immediately after the date of grant up to 12 months thereof, the option holder is entitled to exercise 30% of the share options;
- (2) During the period immediately after 12 months of the date of grant and up to 18 months thereof, the option holder is entitled to exercise up to 60% of the share options; and
- (3) Immediately after 18 months of the date of grant, the limits will cease and the option holder is entitled to exercise up to 100% of the share options.

(i) *Movements in share options*

	2003 Number	2002 Number
At 1 April	—	—
Issued	24,250,000	—
At 31 March	24,250,000	—

23 Share capital *(Continued)*

(ii) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercisable period	Exercise price	2003 Number	2002 Number
31 March 2003	1 April 2003 to 16 March 2013	\$1.15	24,250,000	—

(iii) Share options granted

Exercisable period	Exercise price	2003 Number	2002 Number
1 April 2003 to 16 March 2013	\$1.15	24,250,000	—

The consideration payable by each employee for the entire amount of options granted (i.e. not per share) is \$1.

(iv) Share options exercised

No share options were exercised for the year ended 31 March 2003.

24 Reserves

(a) The Group

	Share premium \$'000	Merger reserve \$'000	Exchange reserve \$'000	Surplus reserve \$'000	Retained profits \$'000	Total \$'000
At 1 April 2002	36,329	54,193	(199)	—	47,287	137,610
Premium arising from the placing of shares	133,000	—	—	—	—	133,000
Share issuance expenses	(6,808)	—	—	—	—	(6,808)
Profit for the year	—	—	—	—	76,543	76,543
Exchange differences on translation of financial statements of companies outside Hong Kong	—	—	220	—	—	220
Transfer to surplus reserve	—	—	—	7,307	(7,307)	—
At 31 March 2003	162,521	54,193	21	7,307	116,523	340,565
At 1 April 2001	—	—	—	—	5,694	5,694
Reserve arising from the Reorganisation	—	54,193	—	—	—	54,193
Premium arising from the placing of shares	89,700	—	—	—	—	89,700
Share issuance expenses	(23,373)	—	—	—	—	(23,373)
Capitalisation issue of shares	(29,998)	—	—	—	—	(29,998)
Profit for the year	—	—	—	—	41,593	41,593
Exchange differences on translation of financial statements of companies outside Hong Kong	—	—	(199)	—	—	(199)
At 31 March 2002	36,329	54,193	(199)	—	47,287	137,610

Profits are retained as follows:

By the Company and its subsidiaries

By associate

2003 \$'000	2002 \$'000
116,523	47,287
—	—
116,523	47,287

24 Reserves (Continued)

(b) The Company

	(Accumulated Share loss)/retained		
	premium	profits	Total
	\$'000	\$'000	\$'000
At 1 April 2002	36,329	(3,563)	32,766
Premium arising from the placing of shares	133,000	—	133,000
Share issuance expenses	(6,808)	—	(6,808)
Profit for the year	—	27,944	27,944
At 31 March 2003	162,521	24,381	186,902
At 1 April 2001	—	—	—
Premium arising from the placing of shares	89,700	—	89,700
Share issuance expenses	(23,373)	—	(23,373)
Capitalisation issue of shares	(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.

According to the relevant rules and regulations in the PRC, BJ Limited is required to appropriate 10% of after-tax profit (after offsetting prior year losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a surplus reserve until the balance of the reserve reaches 50% of BJ Limited's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The surplus reserve can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on condition that the surplus reserve shall be maintained at a minimum of 25% of the registered capital after such issuance.

25 Commitments

(a) Capital commitments

Capital commitments in respect of the renovation of premises outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	The Group	
	2003 \$'000	2002 \$'000
Contracted for	613	4,395

(b) Operating lease commitments

At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Within 1 year	1,805	3,891	1,183	2,409
After 1 year but within 5 years	1,654	2,091	1,283	1,925
	3,459	5,982	2,466	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.

26 Retirement benefits schemes

Hong Kong

Since 1 December 2000, the Company and Hong Kong subsidiary are 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.

27 Post balance sheet events

After the balance sheet date, the Directors proposed a final dividend. Further details are disclosed in note 11.

28 Comparative figures

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) “Cash flow statements”. As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year’s presentation.

In order to comply with the revised requirements of SSAP 1 (revised), the Group adopts the new statement “Consolidated statement of changes in equity” which replaces the “Consolidated statement of recognised gains and losses” included in previous financial statements. The new statement reconciles the movement of key components of the shareholders’ fund, including share capital, reserves and retained earnings, from the beginning to end of a period.

29 Ultimate holding company

The Directors consider the ultimate holding company at 31 March 2003 to be Bio Garden Inc., which was incorporated in the British Virgin Islands.

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	Year ended 31 March 2003 \$'000
Turnover	—	16,983	78,597	133,580
Profit/(loss) from operations	(147)	6,004	41,876	76,543
Finance cost	—	(163)	(283)	—
Profit/(loss) before taxation	(147)	5,841	41,593	76,543
Taxation	—	—	—	—
Profit/(loss) attributable to shareholders	(147)	5,841	41,593	76,543

ASSETS AND LIABILITIES

	As at 31 March			
	2000 \$'000	2001 \$'000	2002 \$'000	2003 \$'000
Fixed assets	—	280	868	131,677
Construction in progress	—	4,364	79,729	7,176
Interest in associate	—	—	—	39,535
Goodwill	—	894	796	698
	—	5,538	81,393	179,086
Current assets	—	52,381	114,101	260,661
Total assets	—	57,919	195,494	439,747
Current liabilities	(137)	(52,215)	(16,384)	(50,682)
Net assets/(liabilities)	(137)	5,704	179,110	389,065

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.

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 IS HEREBY GIVEN that the annual general meeting of Golden Meditech Company Limited (the "Company") for the year 2003 will be held at Harcourt Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 6 August 2003 at 2:30 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 2003;
2. to declare a final dividend for the year ended 31 March 2003;
3. to re-elect retiring Directors;
4. to authorise the Directors to fix the Directors' remuneration;
5. to re-appoint the retiring auditors, KPMG, and to authorise the Directors to fix their remuneration; and
6. as 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 defined in paragraph (d) of 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 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
 - (iii) 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;

- (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).”

7. as 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 defined in paragraph (c) of 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
- (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.”

8. as 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 Nos. 6 and 7 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. 6 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. 7, 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.”

By Order of the Board

Kong Kam Yu

Company Secretary

Hong Kong, 27 June 2003

Notes:

1. The register of members of the Company will be closed from 1 August 2003 to 6 August 2003, 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 and for the proposed final dividend, all transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 31 July 2003.
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 at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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. An explanatory statement setting out further information regarding Resolution No. 7 above will be despatched to members of the Company together with the 2002/2003 Annual Report.