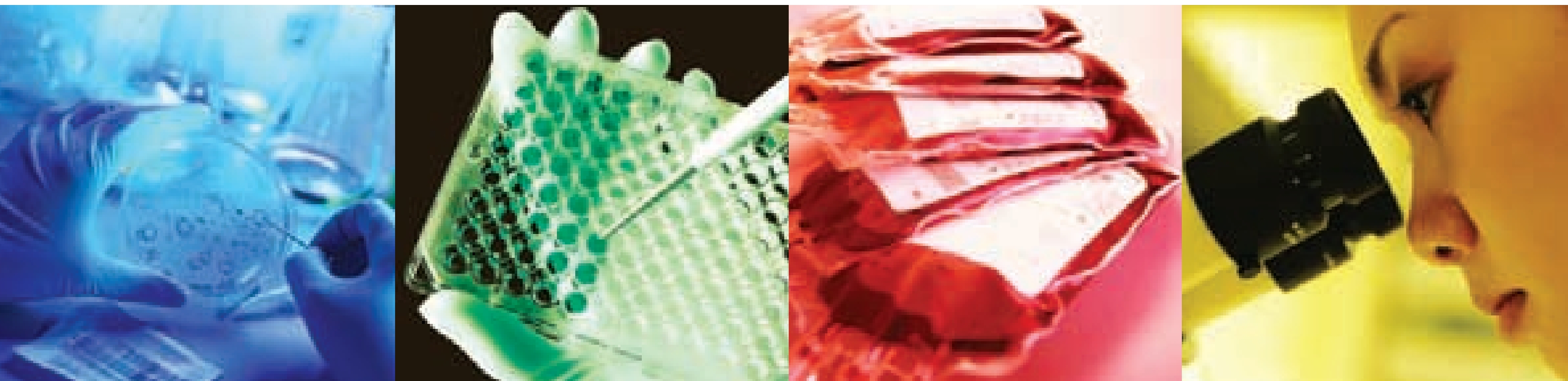
GOLDEN MEDITECH COMPANY LIMITED
金衛醫療科技有限公司

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

Annual Report
2004/2005

Contents



Your life's blood is our life's work

3 Corporate Information
4 Business Structure
5 Corporate Profile
7 Summary of Financial Information
9 Chairman's Statement
14 Management Discussion and Analysis
23 Biographical Details of Directors and Senior Management
26 Report of the Directors
37 Auditors' Report
38 Consolidated Income Statement
39 Consolidated Balance Sheet
41 Balance Sheet
42 Consolidated Statement of Changes In Equity
43 Consolidated Cash Flow Statement
45 Notes on the Financial Statements
83 Financial Summary
85 Notice of Annual General Meeting

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

Corporate information

Executive Directors

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

Independent Non-executive Directors

Prof. CAO Gang
Mr. GAO Zong Ze
Prof. 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
1 Garden Road
Central
Hong Kong

Stock Code

8180

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

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

Remuneration Committee Members

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

Authorised Representatives

Mr. KAM Yuen
Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law
Jones Day

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

TruLaw Corporate Services Ltd.

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Construction Bank - Beijing Branch
Sumitomo Mitsui Banking Corporation
CITIC Ka Wah Bank Limited
Bank of China (Hong Kong) Limited

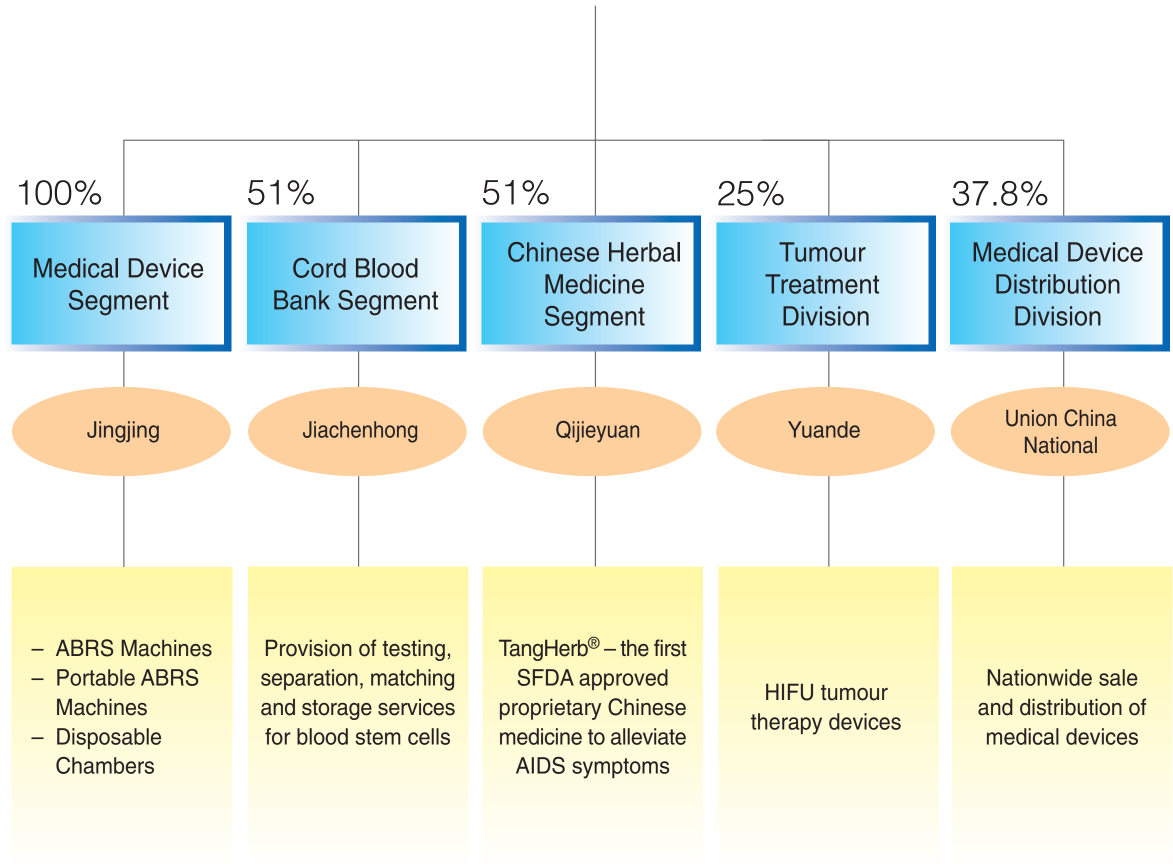
Public Relations Consultant

A-World Consulting Limited

Business Structure

GOLDEN MEDITECH

Stock Code: 8180



Golden Meditech Company Limited (the "Company" or "Golden Meditech") (stock code: 8180.HK), together with its subsidiaries (collectively referred to as the "Group"), is a leading hi-tech integrated medical group based in China. Golden Meditech has demonstrated stellar growth in recent years. The Group has diversified with tremendous success into the development and manufacture of medical devices, haematopoietic stem cell storage and applications, research and development of Chinese herbal medicines, tumour treatment, and medical device distribution and sales. The Group currently occupies a leading position in each of its business areas.

THE MEDICAL DEVICE SEGMENT

The Medical Device Segment is operated by the Company's wholly-owned subsidiary — the Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"). It is primarily engaged in the research and development, manufacture and sale of medical devices, with a competitive edge in developing technologies for blood recovery, purification, treatment and preservation. The flagship product for this segment, the Autologous Blood Recovery System ("ABRS"), is the first product of its kind to obtain the approval of China's State Food and Drug Administration ("SFDA") for its manufacture in the People's Republic of China ("China" or "PRC"). A replacement for traditional blood transfusion methods, the ABRS collects, purifies and recycles a patient's own blood lost during surgery, thus considerably reducing the risks of rejection by the immune system and of blood contamination. The Group has also been collaborating with a number of research institutes to develop new medical technology, and a series of world-class medical devices are in the pipeline, waiting to be launched onto the market.

THE CORD BLOOD BANK SEGMENT

Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong"), a subsidiary of the Group, holds one of the only two Umbilical Cord Blood Stem Cell Storage Permits granted by China's Ministry of Health. This allows it to provide examination, matching and storage facilities for haematopoietic stem cells, or blood stem cells. Jiachenhong also provides separation, processing, examination and storage services for newborn babies' umbilical cord blood stem cells. Blood stem cells are used in many medical treatment procedures in the fight against various life-threatening diseases, and once stored, can provide individuals with long-term health protection.

THE CHINESE HERBAL MEDICINE SEGMENT

The Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd. ("Qijieyuan"), another subsidiary of the Group, is engaged in the research and development of proprietary Chinese herbal medicines.

After years of research, it has developed TangHerb® (also known as Tang Cao Pian®). TangHerb® can effectively boost the immune system of both AIDS patients and HIV carriers. In April 2004, TangHerb® became the first proprietary Chinese medicine granted a New Medicine Certificate by China's SFDA for alleviating AIDS symptoms. It is also the first such medicine in China that is safe and effective for HIV carriers. There are huge markets for TangHerb® both within and outside the PRC. Its future is highly promising.

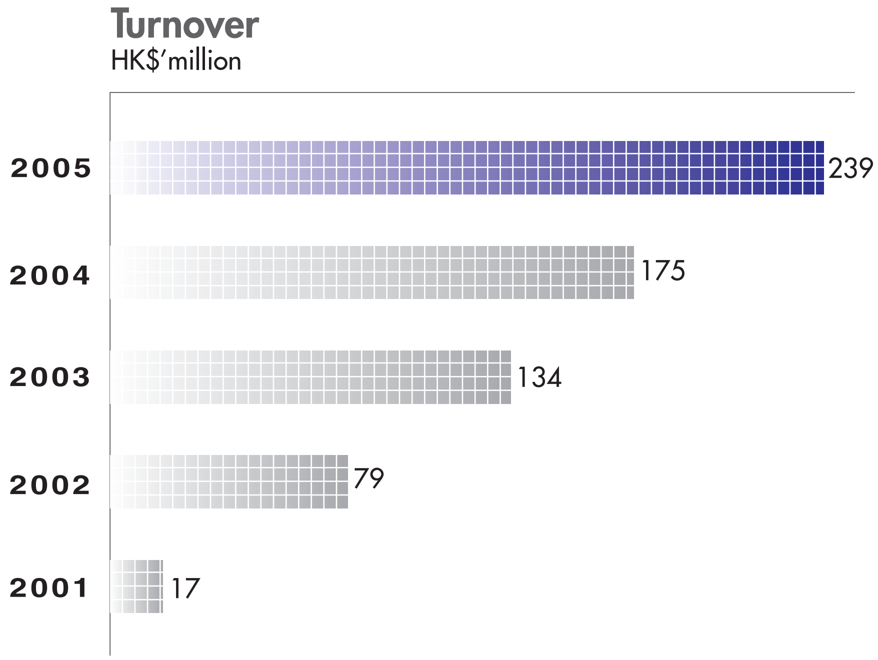
THE MEDICAL DEVICE DISTRIBUTION DIVISION

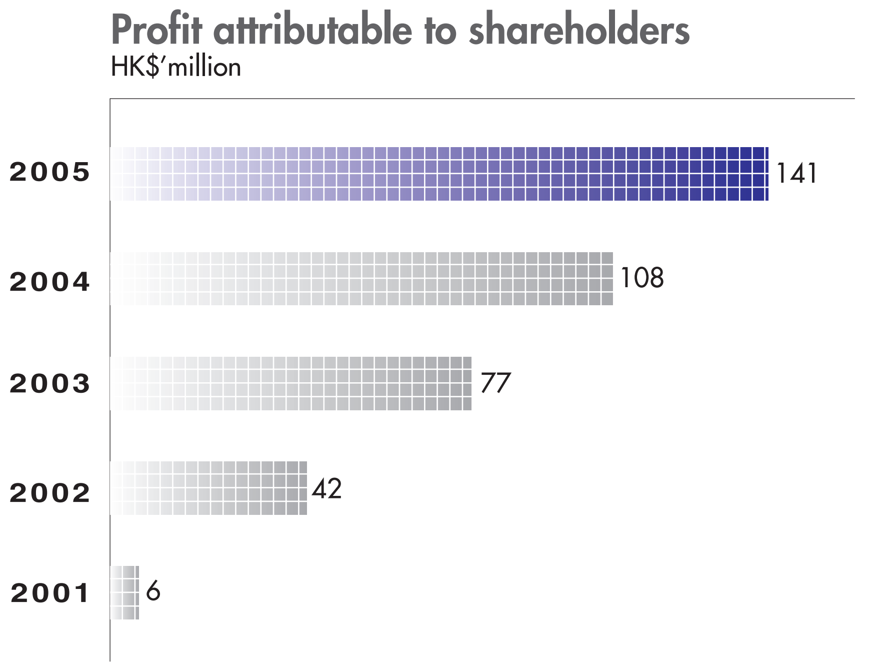
To enhance its distribution network, the Group has formed a partnership with the China National Medical Equipment Industry Corporation, China's largest distributor of medical devices, to establish the Union China National Medical Equipment Co., Ltd. ("Union China National"), the first Sino-foreign joint venture in the medical device distribution industry in the PRC. The business activities of the new joint venture include the sale and distribution of medical devices, as well as the provision of medical device registration, certification and consulting services. Union China National provides a sales network and a solid foundation for the Group's future expansion.

THE TUMOUR TREATMENT DIVISION

To develop the tumour treatment business, the Group, in collaboration with GE Medical Systems, a division of the world-renowned U.S.-based General Electric Company, has invested in the Beijing Yuande Bio-Medical Engineering Co., Ltd. ("Yuande"). Yuande's flagship product, the High Intensity Focused Ultrasonic ("HIFU") tumour therapy device, provides a non-invasive and painless method of directly destroying tumour cells. It has received SFDA approval and is now widely used in hospitals in the PRC.

All subsidiaries and associates of Golden Meditech are able to maximise synergy effects by efficiently sharing resources. Through acquisitions and collaborations with other institutes, as well as internal growth, Golden Meditech intends to realise the Company's aim of becoming the world's leading global integrated medical group and achieve its mission of improving people's health and quality of life by the development of hi-tech medical products and services.


Turnover
HK$'million
2005
239
2004
175
2003
134
2002
79
2001
17


Profit attributable to shareholders
HK$'million
2005
141
2004
108
2003
77
2002
42
2001
6

Summary of Financial Information

		2005 HK$'000	2004 HK$'000	% Change
Operating results	Turnover	238,991	174,595	37%
	Gross profit	170,290	119,361	43%
	Profit attributable to shareholders	140,744	107,941	30%
	Gross profit margin	71%	68%	3%
	Net profit margin	59%	62%	(3%)
	Basic earnings per share	HK11.6 cents	HK10.4 cents*	12%
	Final dividend per share	HK2.1 cents	HK1.8 cents*	17%
Financial position	Total assets	1,490,302	841,670	77%
	Cash and bank balances	156,045	195,295	(20%)
	Shareholders' funds	949,310	707,492	34%
Financial ratios	Gearing ratio (excluding the convertible bonds)	10%	3%	233%
	Current ratio	3.0	4.8	(38%)
Operating data	<u>Medical Device Segment</u>			
	ABRS Machines and Portable ABRS Machines (rounded to the nearest 100)	1,900 units	1,300 units	46%
	Disposable Chambers (rounded to the nearest 1,000)	79,000 sets	60,000 sets	32%
	<u>Cord Blood Bank Segment</u>			
	New customer sign-ups (rounded to the nearest 100)	2,900 units	800 units	263%

* Adjusted for the Bonus Issue of ten new shares for every ten existing shares on 23 September 2004.

Chairman's Statement

Chairman's Statement

Last year, Golden Meditech demonstrated outstanding performance and rapid growth as a result of our commitment to innovation and our success in maximising opportunities offered by the medical industry. Through organic growth, as well as strategic acquisitions and collaborations, the Group has diversified with tremendous success into medical devices, tumour treatment, haematopoietic stem cell storage and applications, Chinese herbal medicine and medical device distribution, while at the same time maintaining our competitive advantages. Our subsidiaries and affiliates are able to share resources and fully optimise the synergy effects, resulting in highly satisfactory results and returns for shareholders.

I am pleased to announce that the Group has recorded robust growth since listing, with turnover rising at least 30% per annum. During the financial year 2004/2005, the Group maintained steady growth, with a turnover of HK$238,991,000, which represents a 37% increase over the previous year. Profit attributable to shareholders was HK$140,744,000, an increase of 30% compared to the previous year.

REVIEW

China's economy grew steadily in 2004, with gross domestic product rising by 9.5% compared to 2003. Despite rising sales in China's medical industry, the overall profitability of the industry has decreased, with profits and margins contracting for the past four years. Yet, even in these difficult industry conditions, all the businesses of the Group continued to record steady growth and generate satisfactory returns.

STRATEGIES

To maintain a balance between accelerating growth and ensuring this growth is sustainable and in line with the Company's core competences, we have adopted strategic investment as our main development strategy. Since the hi-tech medical device industry requires substantial investment in research and development, and the operating risks are often high, we have invested in a series of mature technologies with vast market potential that we could realise through commercialisation. These new businesses were also chosen because they are able to create synergy effects with the Company's core competences; and we closely monitor and manage the costs and risks involved in each investment.

We initially diversified into areas related to our main businesses, improving the existing products and broadening the product portfolio. In this way we have reinforced the Company's leading position and maintained its competitive advantages in each of the business areas involved. We believe these strategies will enable Golden Meditech to achieve its ultimate goal of becoming a leading global integrated medical group.

SALES

Growth in the Medical Device Segment was substantial. For the financial year ended 31 March 2005, the Group sold approximately 1,900 units of ABRS Machines and Portable ABRS Machines and approximately 79,000 sets of Disposable Chambers. The segment recorded a turnover of HK$224,319,000, a significant rise of 31% compared to the previous year.

The performance of the Cord Blood Bank Segment was also satisfactory. The cord blood bank in Beijing, which has a storage capacity of 100,000 units of haematopoietic stem cells, or blood stem cells, commenced operation in the third quarter of the financial year 2004/2005. The increase in storage capacity has paved the way for significant growth in the business. The Cord Blood Bank Segment recorded a turnover of HK$14,578,000, increased dramatically by 290%. We anticipate that this business will continue to generate a stable cash flow for the Group.

The outstanding performance of the Tumour Treatment Division also surpassed expectations. It produced a pre-tax profit of HK$29,918,000 for the Group last year.

ACQUISITIONS

Last year, the Group continued to develop its core businesses. At the same time, we put considerable effort into exploring businesses with significant growth potential, high entry barriers, and the ability to create synergies with our existing operations. This strategy has allowed the Company to build on the strengths that have made it a leader in the field and prudently manage business risk by diversifying into areas related to our core businesses.

In December 2004, the Group formed a joint venture with China's largest state-owned medical equipment distributor — the China National Medical Equipment Industry Corporation. This is the first Sino-foreign joint venture in the medical equipment distribution industry.

In June 2004, we acquired a 51% interest in Qijieyuan. Qijieyuan is the company that developed TangHerb® — the first proprietary Chinese medicine clinically proven to be effective in alleviating AIDS symptoms. TangHerb® has been granted a New Medicine Certificate by China's SFDA.

To speed up the production of TangHerb®, in December 2004, the Group acquired Shanghai Baisuihang Pharmaceutical Co., Ltd. ("Baisuihang"), which owns a Good Manufacturing Practice ("GMP") accredited factory. Our key consideration for this acquisition was that Baisuihang's facilities and expansion potential matched the Company's long-term production plan. The acquisitions of TangHerb® and the GMP facilities have laid a solid foundation for Golden Meditech's entry into the Chinese herbal medicine field.

RESEARCH AND DEVELOPMENT

Medical devices

There have been significant breakthroughs in the development of two products in collaboration with The Academy of Military Medical Sciences, China:

1) We have successfully obtained patents for our Frozen Red Blood Cell Processor, which will be one of the key devices used in China's national strategic blood reserve. The Processor is currently undergoing a second phase of clinical trials and initial feedback is highly positive. Over 80% of red blood cells can be recovered after deglycerolisation. Examination of the red blood cells after deglycerolisation proves that they meet the standards of China's national blood bank. Certain features of this product even surpassed standards achieved by similar products manufactured overseas.

2) We have produced a prototype of the Virus Inactivation System, and have commenced clinical trials. This is a brand new concept using physics and broad-spectrum anti-virus technology to destroy the envelope virus in the plasma of patients infected with viruses such as the human immunodeficiency virus ("HIV"), the hepatitis B virus, the hepatitis C virus, and the severe acute respiratory syndrome ("SARS") virus. The Virus Inactivation System overcomes the problem of drug resistance and, so far, no noticeable side effects have been found.

Stem cell research

Joint research projects with institutes such as the Haematology Department of Peking University and the Stem Cell Research Center of The Academy of Military Medical Sciences, China, are progressing smoothly. We will closely monitor global research trends, and continue to put considerable effort into broadening the applications of stem cells and developing related technologies. We strongly believe that our research will not only generate new sources of revenue for our shareholders, but will also result in medical breakthroughs that will significantly improve people's health.

Chinese herbal medicine for the treatment of AIDS

We have started the research for an improved version of TangHerb®, which we anticipate will be even more effective in reducing the HIV viral load.

PROSPECTS

In the coming year, we believe that China's economy as a whole will continue to grow well. China's ageing population, and continued improvements in its living and education standards will fuel demand for high-quality medical services and we expect the medical industry to remain one of the engines of China's economic growth. In this favourable environment, Golden Meditech will maximise opportunities, proactively and prudently develop our businesses, and remain innovative. We plan to maintain our competitive advantages in order to increase profitability and, in turn, create more value for the Group and our shareholders. And, of course, we will continue to work towards the realisation of Golden Meditech's mission — to improve people's health and quality of life by developing hi-tech medical products and services.

APPRECIATION

I would like to express my deepest gratitude, on behalf of the Board and the shareholders, to the management team and all our staff members for their dedicated efforts in achieving such outstanding results in the past year.

KAM Yuen
Chairman
Hong Kong, 23 June 2005

Management

Discussion and Analysis

INTRODUCTION

The financial year 2004/2005 saw Golden Meditech successfully diversify its hi-tech medical businesses, generating very satisfactory returns for shareholders and laying a solid foundation for their long-term interests.

As we have always done, we provided our customers in the past year with medical products and services of the highest quality. Emphasising technological development, we made significant progress towards our goals of improving people's health and quality of life by developing first class medical devices and services, and of becoming a leading hi-tech integrated medical group not only in the PRC, but also internationally.

BUSINESS REVIEW

The Medical Device Segment

Overview of Medical Device Segment

	2005 HK$'000	2004 HK$'000
Turnover		
- ABRS Machines and Portable ABRS Machines	**189,493**	144,154
- Disposable Chambers	**34,826**	26,705
	224,319	170,859
Operating profit	**145,209**	113,725
Sales volume		
- ABRS Machines and Portable ABRS Machines (rounded to the nearest 100)	**1,900 units**	1,300 units
- Disposable Chambers (rounded to the nearest 1,000)	**79,000 sets**	60,000 sets

The development and manufacture of hi-tech medical devices forms one of Golden Meditech's core businesses, and the Company occupies a leading position in China in this area. This segment continued to deliver outstanding performance for the financial year ended 31 March 2005. Turnover increased substantially by 31% to HK$224,319,000 compared to 2004, as an immediate result of new sales strategies, effective cost control, and the success of the Portable ABRS Machines. This was the fourth successive year that the segment recorded growth of over 30%. The Company sold approximately 1,900 units of ABRS Machines and Portable ABRS Machines. The sale of Disposable Chambers increased by 32% compared to the previous year, to approximately 79,000 sets – this stellar growth demonstrating the increasing popularity of the ABRS.

To further accelerate the penetration rate of the ABRS in central and western China, as those areas upgrade their public health services, the management decided to lower the price of the ABRS Machines in the third quarter after serious consideration and analysis of the long-term cost effectiveness. The effect of this strategy was immediate and positive, with coverage of the ABRS Machines increasing rapidly. The wider acceptance and increased sales volume of the ABRS Machines will also contribute to an increase in sales of Disposable Chambers in the long run, an example of Golden Meditech making the best use of its "first-mover" advantage in strengthening the Company's competitive edge. In addition, the new sales strategy has paved the way for the launch of an innovative blood-treatment product in the near future.

The Company is also putting considerable effort into developing other blood-related medical products, in addition to its autologous blood recovery products. There are three new products in the pipeline that have currently been approved by experts in the field and are now undergoing clinical trials. The Group anticipates that these new products will be able to create synergy effects with the Group's existing

products, eventually reaching the ideal stage of medical equipment and medicines working in an integrated way to provide combined medical solutions. These innovative solutions may well become new sources of income for the Group, generating even more outstanding returns for our shareholders.

The Cord Blood Bank Segment

Overview of Cord Blood Bank Segment

	2005 HK$'000	2004 HK$'000
Turnover	**14,578**	3,736
Operating profit/(loss)	**5,069**	(249)
Storage capacity	**100,000 units**	50,000 units
New customer sign-ups (rounded to the nearest 100)	**2,900 units**	800 units

Jiachenhong, a subsidiary of the Group, provides professional blood stem cell storage and application services to the public. It holds one of the only two Umbilical Cord Blood Stem Cell Storage Permits granted by China's Ministry of Health. In recent years, there have been great advances in stem cell research and development internationally. Blood stem cells are able to treat a number of life-threatening diseases, for example, leukaemia, immunodeficiency conditions, aplastic anaemia, and thalassaemia. Jiachenhong's turnover has grown rapidly since the Group acquired its 51% equity

interest in September 2003. For the financial year ended 31 March 2005, turnover increased dramatically by 290% compared to the previous year, amounting to HK$14,578,000. The management anticipates that this business will continue to generate a stable cash flow for the Group.

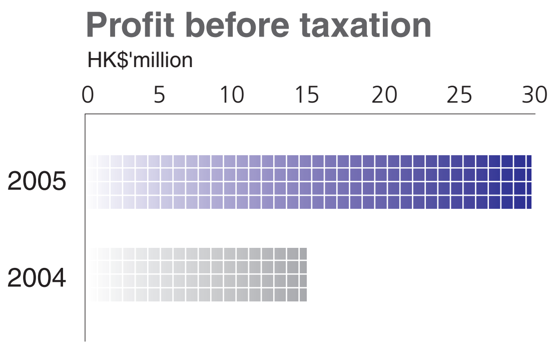
The long-term goal of Jiachenhong is to establish a nationwide blood stem cell storage network. The cord blood bank in Beijing with storage capacity for 100,000 blood stem cell units commenced operation in the third quarter of the financial year 2004/2005. The increase in storage capacity not only allows more parents to store their newborns' cord blood stem cells, but also strengthens the foundation for further development. In the coming two financial years, Golden Meditech will open ten new cord blood banks in China. A total of over ten million babies are born every year in the 11 affluent provinces and cities where our cord blood banks will be located. By the end of the financial year 2006/2007, the total storage capacity will have reached 600,000 units. We believe that when the new cord blood banks are fully operational, the contribution of the Cord Blood Bank Segment to the Group's profit will dramatically increase.

The Chinese Herbal Medicine Segment

In April 2004, China's SFDA granted a New Medicine Certificate to Qijieyuan for its product TangHerb®, also known as Tang Cao Pian®, making it the first proprietary Chinese medicine for alleviating AIDS symptoms to obtain such a certificate. According to the clinical trial results, TangHerb® is effective in increasing the CD4 cell count of both HIV carriers and AIDS patients, thus strengthening their immune systems and improve their quality of life. The Group's acquisition of Qijieyuan in June 2004 marked a promising beginning for its entry into the field of Chinese herbal medicine.

The Group also acquired a GMP accredited enterprise in Shanghai in December 2004 for the production of TangHerb®. The Group is currently modifying the existing production facilities and adding new ones, with the aim of starting production and sales of TangHerb® in the first half of the financial year 2005/2006.

The Tumour Treatment Division



In March 2003, the Company joined forces with GE Medical Systems, a division of the U.S.-based General Electric Company, to invest in Yuande, which manufactures and sells the HIFU tumour therapy device. The HIFU device is at the forefront of modern technology, utilising high frequency ultrasonic pulses that pinpoint and destroy the tumour cells. The process is non-invasive, painless and can shorten patients' hospital stay. For the financial year 2004/2005, the performance of the Tumour Treatment Division was outstanding, surpassing expectations. It produced a pre-tax profit of HK$29,918,000 for the Group.

The Medical Device Distribution Division

To further strengthen and expand its existing businesses, in December 2004, the Group formed a partnership with the China National Medical Equipment Industry Corporation, China's largest distributor of medical devices, to establish Union China National. Union China National commenced operation in January 2005, and became the first Sino-foreign joint venture in the medical device distribution industry in China. Union China National marked a major development in the vertical growth of the Group's business, providing a sales network and a solid foundation for the Group's future expansion.

MAJOR INVESTMENTS

Acquisition of proprietary Chinese medicine for the treatment of AIDS

AIDS is spreading quickly in China, affecting the well-being of large numbers of people. The PRC government is determined to fight AIDS and has approved a series of preventive measures and treatment schemes, including the adoption of Chinese herbal remedies. In the light of this, the Group decided to acquire Qijieyuan.

Qijieyuan has developed TangHerb®, which has been proven to be effective in boosting the immune systems of people infected with HIV/AIDS. Once it is launched, we expect TangHerb® to gain widespread acceptance as an HIV/AIDS treatment. On 9 June 2004, the Group entered into an agreement to acquire a 51% equity interest in Qijieyuan, for a total consideration of HK$452,800,000. The acquisition was completed on 6 September 2004. The Company issued convertible bonds with a three-year maturity for the principal amount of HK$226,400,000 to settle half of the consideration. For details, please refer to the Company circular issued on 30 July 2004.

Acquisition of a Shanghai GMP plant for the production of TangHerb®

To satisfy the stringent requirements for the production of TangHerb®, the Group acquired the entire equity interest of Baisuihang on 19 December 2004 for a total consideration of RMB3,000,000. The Group will use its GMP accredited facilities, located in Shanghai, to produce TangHerb®. The entire consideration was settled on 22 December 2004, and the transaction was completed on the same date. For details, please refer to the Company circular issued on 11 January 2005.

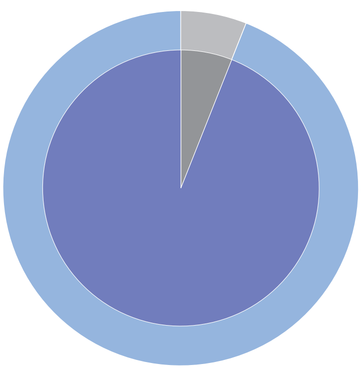
FINANCIAL REVIEW

Turnover and profit attributable to shareholders

The Group continued to demonstrate strong growth and outstanding performance for the year ended 31 March 2005. The Group's turnover was HK$238,991,000, a significant increase of 37% over the previous year. Pre-tax profit and profit attributable to shareholders were HK$154,588,000 and HK$140,744,000 respectively, representing an increase of 40% and 30% respectively, compared to the previous year. Basic earnings per share amounted to HK11.6 cents, an increase of 12%. Growth in turnover and in profit attributable to shareholders largely resulted from the effectiveness of the new sales strategy for the ABRS Machines and the robust growth of the Cord Blood Bank Segment.

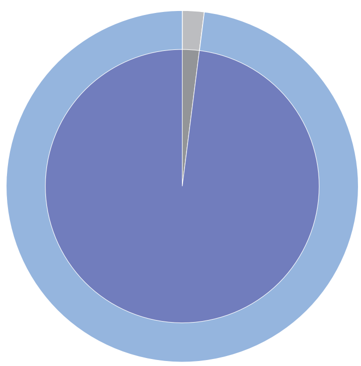
Turnover by segment

BREAKDOWN OF TURNOVER IN 2005



94% Medical Device Segment
6% Cord Blood Bank Segment

BREAKDOWN OF TURNOVER IN 2004



98% Medical Device Segment
2% Cord Blood Bank Segment

The Medical Device Segment remained the Group's principal source of revenue. At the same time, we successfully acquired businesses that have created synergy with the Group, namely the Cord Blood Bank and Chinese Herbal Medicine Segments. This diversification has brought us closer to our long-term goal of becoming a leading international integrated medical group. Certain new businesses are already making remarkable sales contributions and we anticipate that all the new businesses will account for a larger share of the Group's turnover in the near future.

Gross profit margin

To broaden the Group's products and services portfolio and to reduce operational risk, the Group has diversified into a number of businesses, allowing it to provide more comprehensive and even higher quality integrated services to customers.

Despite the slight change in sales and product mix, the Group's gross profit margin reached 71% for the year ended 31 March 2005 (2004: 68%).

Selling and administrative expenses

Total selling and administrative expenses for the year ended 31 March 2005 were HK$56,695,000, an increase of HK$21,225,000 compared to the previous year. The increase was mainly due to the additional sales and administrative expenses of the Group's new businesses. The Group has always been prudent in controlling costs and it maintains a low-cost competitive edge in the industry, to ensure even higher returns for shareholders.

Finance costs

Finance costs mainly included the interest on new bank loans, expenses incurred in these lending arrangements, and the interest on the convertible bonds.

Dividend

The board of directors (the "Board") is of the opinion that the Group's overall profitability and cash flow level enable it to fulfil its commitment to making sustainable dividend distributions to its shareholders. The Group will review the dividend distribution ratio in the light of its future capital requirements, financial position and market conditions, with a view to formulating a steady and continuously growing dividend payment policy. In the forthcoming annual general meeting, the Board will propose a final dividend of HK2.1 cents per share, an increase of 17% compared to the HK1.8 cents per share (after the adjustment of the Bonus Issue) for 2004. The final dividend will be paid in cash, with an option to receive new fully paid shares in lieu of a cash dividend ("Scrip Dividend Scheme"). The dividend warrants and the share certificates for the Scrip Dividend Scheme will be sent to shareholders by ordinary mail on or around Thursday, 13 October 2005.

Capital structure, liquidity and financial resources

Assets and shareholder interests

The Group's total assets and shareholder interests at 31 March 2005 were HK$1,490,302,000 and HK$949,310,000 respectively (2004: HK$841,670,000 and HK$707,492,000 respectively).

Liquidity

The Group's cash and bank balances at 31 March 2005 were HK$156,045,000 (2004: HK$195,295,000). Total bank borrowings were HK$151,358,000 (2004: HK$28,371,000).

Financial resources

The Group has always maintained a stable financial position. To satisfy the need for future capital expenditure, the Group obtained a three-year long-term loan of RMB100,000,000 from a PRC bank in the third quarter to increase its flexibility. The Group has sufficient cash to satisfy future cash requirements.

Interest-bearing liabilities totalled HK$275,358,000 (2004: HK$28,371,000). They included bank borrowings and the newly-issued three-year convertible bonds.

The PRC's current macro-economy policy is aimed at preventing the economy from overheating and borrowing requirements have been tightened. Nonetheless, the Group still succeeded in obtaining a new bank loan. This not only reflects the Group's sound financial position and reputation but also shows the Group is able to access diverse funding channels to meet its financial needs.

Gearing ratio

The gearing ratio was 10% at 31 March 2005 if calculated as a percentage of total interest-bearing liabilities (excluding the convertible bonds) over total assets (2004: 3%), and was 18% if calculated as a percentage of total interest-bearing liabilities (including the convertible bonds) over total assets (2004: 3%).

Convertible bonds

On 6 September 2004, Golden Meditech issued convertible bonds in the principal amount of HK$226,400,000 as half of the consideration for acquiring Qijieyuan. For details, please refer to the Company circular issued on 30 July 2004.

In December 2004, convertible bonds in the principal amount of HK$102,400,000 were converted into shares based on the agreed convertible price. As at 31 March 2005, convertible bonds in the principal amount of HK$124,000,000 had not yet been converted.

Bonus Issue

A bonus issue was approved at the 2004 annual general meeting on the basis of ten new shares for every ten existing shares held by the shareholders (the "Bonus Issue"). The Company completed the Bonus Issue in November 2004.

Exchange rate risk

The Group's sales and purchases are mainly transacted in Renminbi. Since the Stock Exchange rate fluctuation between Hong Kong Dollars and Renminbi is minimal, the management considers the Stock Exchange rate risk to which the Group is exposed to be very low. Hence, no hedging arrangements were made during the year ended 31 March 2005.

Treasury policies

The Group adopts conservative 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 318 (2004: 192) full-time employees in Hong Kong and the PRC. During the year, the Group incurred staff costs (including Directors' emoluments) of HK$10,134,000 (2004: HK$9,667,000). The increase in staff costs was mainly due to the increase in the number of staff.

The Group believes that its people are its most important asset. Employees' salaries are therefore set at competitive levels, while staff members who demonstrate outstanding performance are rewarded with discretionary bonuses and share options. To express its gratitude for the contribution of its staff and to provide further incentives, the Company approved and adopted a new share option scheme on 30 March 2005 and terminated the then existing share option scheme on the same date. Under the new scheme, the range of people eligible to be granted share options was broadened, and now more outstanding employees can enjoy the benefits. The new share option scheme is effective for ten years from the date of adoption.

CHARGES ON GROUP ASSETS

At 31 March 2005, the total book value of the assets charged for bank loans was HK$98,992,000 (2004: Nil).

CONTINGENT LIABILITIES

At 31 March 2005, the Group had no contingent liabilities (2004: Nil).

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

The Group is fully committed to maintaining good corporate governance and a good relationship with investors in the interests of shareholders, lenders and other stakeholders. Accordingly, the Group will comply with all best practices in corporate governance, especially with requirements related to transparency. Through effective and timely communication, our shareholders will be kept fully informed of the Group's strategies; and through the nomination of capable individuals as directors, the confidence of the shareholders in the Board will be enhanced. The Group is also working to strengthen its internal controls process and management system.

PROSPECTS

Continued outstanding performance, thorough understanding of the China market, an extensive customer network, diversified GMP accredited production lines and an exclusive sales and distribution network have allowed Golden Meditech to secure the leading position in each of its business areas. By smooth operation and robust development, the Group has laid a solid foundation for its existing businesses. We intend to concentrate on putting more resources into existing businesses, so that they can grow steadily and realise even stronger synergy effects, enhancing the Group's long-term profitability. We anticipate that the expansion of the Cord Blood Bank Segment, and the commencement of operations of the Chinese Herbal Medicine Segment and the Medical Device Distribution Division will result in these businesses accounting for a larger share of the turnover and generating increasing profit in the near future.

The Group will continue to expand its businesses prudently and selectively, putting considerable effort into exploring hi-tech projects with significant growth potential, high entry barriers and support from the Chinese government. We will continue to work hard to realise the Company's mission – to improve people's health and quality of life by the development of hi-tech medical products and services. We are confident of securing the pre-eminent position in each of our business areas, and of becoming a leading global integrated medical group.

DIRECTORS

Executive Directors

Mr. KAM Yuen (甘源), aged 42, is the Chairman and Compliance Officer of the Company, and the founder of the Group. Mr. Kam is also a Director of several subsidiaries of the Company. He is responsible for the Group's overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute（北京第二外國語學院）, the PRC, in 1985 and has over 18 years of management experience in business and international trade. Mr. Kam is the sole director of Bio Garden Inc. which has an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. LU Tian Long (魯天龍), aged 53, has been an Executive Director of the Company since September 2001. He is a Director and the General Manager of Jingjing. He is responsible for the production, operations and management of Jingjing.

Ms. JIN Lu (金路), aged 39, is an Executive Director of the Company and a Director of several subsidiaries. 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 the Beijing Second Foreign Languages Institute (北京第二外國語學院), the PRC, in 1987.

Ms. ZHENG Ting (鄭汀), aged 32, is an Executive Director of the Company and a Director of Jiachenhong. She is responsible for the Group's financial and internal control systems. Ms. Zheng joined the Group in September 2001. She graduated from the Chinese People's University (中國人民大學), the PRC, in 1996.

Independent Non-executive Directors

Prof. CAO Gang (曹岡), aged 60, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in September 2004. Prof. Cao is a professor in accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently the Vice-president of the Beijing Society of Accountants.

Mr. GAO Zong Ze (高宗澤), aged 65, is an Independent Non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. He joined the Group in September 2001. Mr. Gao is a National Committee member of China's Chinese People's Political Consultative Conference and the president of the All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the PRC, (中國社會科學院) in 1981.

Prof. GU Qiao (顧樵), aged 58, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in September 2001. Prof. 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 the Northwest University, the PRC (中國西北大學). He is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC, in 1989.

TECHNOLOGY DEVELOPMENT ADVISORY BOARD

The Group has established a technology development advisory board (the "Technology Board") in 2000. As at 31 March 2005, the Technology Board comprised more than 40 experienced medical officers. The primary responsibilities of the Technology Board are (i) to develop the Group's key technical strategies; (ii) to monitor the progress of major technical programmes; and (iii) to review proposals for the development of new products and production techniques. The five core members of the Technology Board are Prof. ZHANG Ming Li, Chairman of the Technology Board, Prof. PEI Xue Tao, Prof. WANG Bao Guo, Prof. TIAN Ming and Prof. LU Dao Pei.

Prof. ZHANG Ming Li (張明禮) is the Chairman of the Technology Board. He graduated from Peking University and is a cardiac and thoracic specialist. 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 Peking University Hospital, supervisor to doctoral candidates at the Faculty of Medicine of Peking University, an evaluation specialist of the Medical Equipment 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.

Prof. PEI Xue Tao (裴雪濤) is the Director of the Field Blood Transfusion Research Intitute of the Military Medical Science University (軍事醫學科學院野戰輸血研究所) and the Chief Practitioner of the Stem Cell Research Center (幹細胞研究中心). He is also the Deputy Chairman of the People's Liberation Army Medical Science Committee. He is a professor and supervisor to doctoral candidates of the Military Medical Science University. He received his doctoral degree from the Military Medical Science University in 1997.

Prof. WANG Bao Guo (王保國) is the Chief Practitioner of the Medical Affairs Department and Anaesthesiology of the Tiantan Hospital, Capital University of Medical Sciences (首都醫科大學天壇醫院). He is a supervisor to doctoral candidates in the Capital University of Medical Sciences and is on the editorial boards of three academic journals on Anaesthesiology. He is also the secretary of the Beijing Anaesthesiology Committee (北京麻醉專業委員會) and his research has earned him a number of technology awards granted by the Beijing Municipality.

Prof. TIAN Ming (田鳴) is the Chief Practitioner of Anaesthesiology of the Beijing Friendship Hospital (北京友誼醫院). He graduated from the China Medical University with a doctoral degree in Anaesthesiology in 1996. He has a solid background in the field of Anaesthesiology and has cooperated on numerous occasions with cardiac surgeons from the U.S., the U.K., Japan and Italy. In addition to publishing articles on his specialty, he also spends his time on the research of autologous blood transfusions. With his substantial experience in teaching, Prof. Tian received two outstanding teacher's awards in 2000.

Prof. LU Dao Pei (陸道培) is an haematologist and expert in bone marrow transplant. He is currently both director and professor of the Institute of Haematology of Peking University (北京大學血液病研究所), as well as Vice President of the Chinese Medical Association ("CMA") (中華醫學會), Chairman of the CMA's Council of Haematology, and elected member of the Chinese Academy of Engineering. He is considered to be the founder of blood stem cell research in the PRC and the primary driving force behind this development. Prof. Lu was also the first to prove to the international community that the independent application of the realgar herb could cure acute myelogenous leukemia. Prof. Lu has received the renowned China Science and Technology Award and a number of other similar awards.

SENIOR MANAGEMENT

Mr. LU Shu Qi (路書奇), aged 57, Deputy General Manager of Jingjing, is responsible for the production, general management and daily operations of Jingjing. He graduated from the Tsinghua University (清華大學) and has over 20 years of management experience in production.

Mr. KONG Kam Yu (江金裕), aged 36, is the Qualified Accountant and Company Secretary of the Company. 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.

Mr. ZHANG Ji Hong (張積宏), aged 53, Deputy General Manager of Jingjing, is in charge of merchandise and supplies and subcontracting works. He has over 20 years of experience in the manufacturing industry. He studied at the financial and accounting department of the Second Branch of Peking University (北京大學二分院).

Ms. CUI Qi (崔琪), aged 52, Deputy General Manager and Finance Manager of Jingjing, is currently in charge of Jingjing's financial systems. She graduated from the Finance and Accounting Department of the 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 40, is the Sales Manager of Jingjing. Mr. Liang graduated from the Fourth Military Medical University of the People's Liberation Army (解放軍第四軍醫大學) in 1989. He has over 10 years of sales and marketing experience in the medical industry in the PRC and has a thorough understanding of the PRC's medical industry. He is highly experienced in setting out sales and marketing strategies and opening up new sales channels.

Ms. DU Ning (杜寧), aged 35, is the Personal Assistant to the General Manager of Jingjing and is also Jingjing's Human Resources Manager. She is currently in charge of human resources as well as the daily general administration of Jingjing. Ms. Du graduated from the Medical College of the People's Liberation Army (解放軍醫學院) in 1994. She has over 10 years of experience in human resources affairs and daily office administration. Ms. Du previously worked in the Government Offices Administration of the State Council and joint venture enterprises.

Mr. GAO Guang Pu (高光譜), aged 42, Quality Control Manager of Jingjing, is in charge of quality control for Jingjing's products. He is also responsible for various aspects of Jingjing's production technology, including product standards, production procedures and technological improvements etc.

Prof. LIU Kai Yan (劉開彥), aged 43, received his doctoral degree in Medicine from the Kyushu University (九州大學) of Japan. He is currently the Chief Scientist of Jiachenhong. Prof. Liu is the Chief Physician of the Department of Internal Medicine of the People's Hospital of Peking University, the Deputy Director and a supervisor to doctoral candidates of the Institute of Haematology of Peking University (北京大學血液病研究所). Since 1988 he has been involved in the clinical trials of blood stem cell transplants and has focused on new technologies in the clinical application of blood stem cells.

Mr. GAO Feng (高峰), aged 49, Chief Executive Officer of Jiachenhong, is a seasoned professional in sales, marketing and management. He possesses over 20 years of experience in sales and marketing in the medical equipment industry, with over 10 years occupying managerial positions in operational management. He graduated from Capital University of Medical Sciences (首都醫科大學), and has played a major role in several renowned multinational medical corporations before joining the Group.

Ms. XU Xin (徐欣), aged 51, is the Chief Technical Officer of Jiachenhong. She possesses over 20 years of solid experience in cytobiology research, related techniques and marketing. Ms. Xu graduated from Beijing Normal University. After graduating, she taught and conducted scientific research in cytobiology at Beijing Medical University. Also, she worked for two renowned multinational medical corporations before joinning the Group.

Dr. LAI Zu Qin (賴祖琴), aged 66, is the Chief Scientist of Qijieyuan and the inventor of TangHerb®. She graduated from Kumming Medical College and Yunnan University of Traditional Chinese Medicine and served as a Chief Pharmacist at the Chinese Medicine Department of the First People's Hospital of Yunnan Province. In the past 20 years, Dr. Lai has been actively involved in the research of Chinese herbal medicines and the development of Chinese herbal remedies for the treatments of infectious diseases and AIDS. She is currently leading the research and development team of Qijieyuan in developing new Chinese herbal remedies that can treat AIDS and other currently incurable diseases.

Report of 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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries and associates are set out in notes 16 and 17 on the financial statements.

The analysis of the turnover from the principal activities of the Group 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 2005 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 38 to 82 of this annual report.

DIVIDENDS AND RESERVES

The directors have recommended a final dividend of HK2.1 cents (2004: HK1.8 cents *) per share in respect of the year ended 31 March 2005 to be payable to shareholders whose names appear on the register of members of the Company on Monday, 5 September 2005. Subject to the passing of the necessary resolution at the forthcoming annual general meeting, such dividend will be payable on or about Thursday, 13 October 2005, in cash in Hong Kong dollars, with a scrip dividend alternative.

Details of the movements in reserves of the Group and the Company during the year are set out in note 32 on the financial statements.

* Adjusted for the effect of the Bonus Issue.

FIXED ASSETS

Details of movements in fixed assets of the Group and the Company during the year are set out in note 14 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 on the financial statements.

The Company by an ordinary resolution passed at the annual general meeting held on 23 September 2004 increased the authorised share capital of the Company from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.1 each.

The Company by an ordinary resolution passed at the annual general meeting held on 23 September 2004 approved a bonus issue of shares on the basis of ten bonus shares for every ten shares of HK$0.1 each (the "Bonus Issue") by way of a capitalisation of the share premium account.

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	63%	
Five largest customers in aggregate	92%	
The largest supplier		30%
Five largest suppliers in aggregate		68%

At no time during the year have the directors, their associates or any shareholders 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 of the Company during the financial year and up to the date of this report are:

Executive Directors

Mr. KAM Yuen *(Chairman)*	
Mr. LU Tian Long	
Ms. JIN Lu	
Ms. ZHENG Ting	
Ms. CHAU Mei Chun	(retired on 23 September 2004)

Non-Executive Director

Mr. LEUNG Shi Wing	(retired on 23 September 2004)

Independent Non-Executive Directors

Prof. CAO Gang	(appointed on 23 September 2004)
Mr. GAO Zong Ze	
Prof. GU Qiao	

In accordance with Article 108 of the Company's Articles of Association, Ms. ZHENG Ting and Mr. GAO Zong Ze will retire at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

The biographical details of the directors and senior management are set out on pages 23 to 25 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

Executive Directors

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

Independent Non-Executive Directors

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

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

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2005, the interests and short positions of the directors and chief executive of the Company in the shares and, in respect of equity derivatives, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, which were required, pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange are as follows:

		Number of ordinary shares of HK$0.1 each					
Name of directors	Capacity and nature of interests	Personal interests	Family interests	Corporate interests	Number of underlying shares held under equity derivatives	Total interests (Long position)	Approximate percentage of the Company's issued share capital
Mr. KAM Yuen[1]	Interest of controlled corporation	—	—	432,496,000	63,206,245[2]	495,702,245	39.21
Mr. LU Tian Long	Beneficial owner	—	—	—	3,600,000[2]	3,600,000	0.28
Ms. ZHENG Ting	Beneficial owner	—	—	—	3,600,000[2]	3,600,000	0.28

Notes:

(1) Mr. KAM Yuen is the sole beneficial shareholder of the issued share capital of Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI") which owned 432,496,000 shares of the Company as at 31 March 2005.

(2) These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Option Schemes" below.

Save as disclosed above, as at 31 March 2005, none of the directors or the chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

1. Principal terms of the share option schemes of the Company are summarised in note 31 on the financial statements.

2. A summary of movements of share options under the share option schemes of the Company for the year ended 31 March 2005 as follows:

Name of directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at 1 April 2004	Number of underlying shares in respect of which share options were exercised during the year	Number of additional underlying shares due to adjustment for Bonus Issue during the year[(1)]	Number of underlying shares in respect of which share options were granted during the year	Number of underlying shares in respect of which share options were outstanding as at 31 March 2005	Exercise price HK$
Mr. KAM Yuen	30 March 2005[(3 & 4)]	—	—	—	63,206,245	63,206,245	1.76[(7)]
Mr. LU Tian Long	31 March 2003[(5)]	2,800,000	(1,200,000)[(9)]	1,600,000	—	3,200,000	0.575[(2)]
	4 March 2005[(6)]	—	—	—	400,000	400,000	1.60[(8)]
Ms. ZHENG Ting	31 March 2003[(5)]	1,400,000	(600,000)[(9)]	800,000	—	1,600,000	0.575[(2)]
	4 March 2005[(6)]	—	—	—	2,000,000	2,000,000	1.60[(8)]
Full-time employees (other than directors)	31 March 2003[(5)]	12,865,000	(19,265,000)[(9)]	7,480,000	—	1,080,000	0.575[(2)]
	4 March 2005[(6)]	—	—	—	11,970,000	11,970,000	1.60[(8)]
		17,065,000	(21,065,000)	9,880,000	77,576,245	83,456,245	

Notes:

(1) In accordance with the note to Rule 23.03(13) of the GEM Listing Rules and pursuant to the terms of the share option scheme adopted by the Company on 30 July 2002, the number of underlying shares in respect of the share options granted has been adjusted with effect from 24 September 2004 in consequence of the Bonus Issue.

(2) The exercise price has also been adjusted from HK$1.15 per share to HK$0.575 per share due to the Bonus Issue.

(3) The share options were granted by the Board on 4 March 2005, subject to certain conditions, and were approved by the shareholders at the extraordinary general meeting held on 30 March 2005.

(4) The share options are exercisable as to:

 (i) up to 20% after 6 months from 30 March 2005;

 (ii) up to 60% after 18 months from 30 March 2005;

 (iii) up to 100% after 30 months from 30 March 2005; and

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

(5) The share options are exercisable as to:

 (i) up to 30% immediately after the date of grant;

 (ii) up to 60% immediately after 12 months from the date of grant;

 (iii) up to 100% immediately after 18 months from the date of grant; and

 (iv) the share options will expire at the close of business on 16 March 2013.

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

(7) The closing price of the shares on 3 March 2005, the date immediately before the share options were offered, is HK$1.60 per share.

(8) The closing price of the shares on 28 February 2005, the date immediately before the share options were offered, is HK$1.58 per share.

(9) Share options were exercised as follows:

Exercise date	Weighted average closing price of shares immediately before the date of exercise	Number of underlying shares held by directors involved	Number of underlying shares held by full-time employees involved	Total number of underlying shares involved
28 April 2004	$3.20*	1,800,000	5,385,000	7,185,000
3 February 2005	$1.80	—	5,200,000	5,200,000
4 February 2005	$1.80	—	3,200,000	3,200,000
18 February 2005	$1.75	—	5,480,000	5,480,000
		1,800,000	19,265,000	21,065,000

* Before the Bonus Issue.

(10) No share options granted under the share option schemes adopted by the Company on 30 July 2002 and 30 March 2005 respectively were cancelled or lapsed during the year ended 31 March 2005.

3. *Valuation of the share options granted under the share option schemes of the Company during the year*

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 share options based on various speculative assumptions would be meaningless and misleading. Therefore the directors believe that the costs for disclosing the value of share options do not justify the benefits provided.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 March 2005, the interests of the shareholders (not being directors or the chief executives of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO are as follows:

(i) Substantial shareholder (long position)

Name	Capacity and nature of interest	Number of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden (Note)	Beneficial owner	432,496,000	34.21

Note: Bio Garden is an investment holding company incorporated in the BVI. Mr. KAM Yuen is the sole beneficial shareholder of the entire issued share capital of Bio Garden as at 31 March 2005.

(ii) Other persons who are required to disclose their interests (long position)

Name of other persons who have more than 5% interest	Capacity and nature of interest	Number of issued shares	Approximate percentage of the Company's issued share capital
Nordea Far Eastern Value Fund	Investment manager	96,653,846	7.65
The Capital Group Companies, Inc.	Investment manager	66,994,000	5.30
UBS AG	Investment manager	63,690,461	5.04

Save as disclosed above, as at 31 March 2005, the directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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 the existing shareholders.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 March 2005 are set out in notes 27 and 29 on the financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes for the year ended 31 March 2005 are set out in note 35 on the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 83 and 84 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.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Mr. GAO Zong Ze and Prof. GU Qiao, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the Independent Non-Executive Directors to be independent.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

During the year ended 31 March 2005, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which were in force prior to 1 January 2005. The Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules which has become effective on 1 January 2005. Appropriate actions are being taken by the Company to comply with the Code.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 15 December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The 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 three Independent Non-Executive Directors, namely Prof. CAO Gang (Chairman of the Committee), Mr. GAO Zong Ze and Prof. GU Qiao.

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

The Committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Directors, including a review of the annual report for the year ended 31 March 2005.

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, 23 June 2005

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 38 to 82 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 2005 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, 23 June 2005

Consolidated Income Statement

for the year ended 31 March 2005
(Expressed in Hong Kong dollars)

	Note	**2005** **$'000**	2004 $'000
Turnover	4	**238,991**	174,595
Cost of sales		**(68,701)**	(55,234)
Gross profit		**170,290**	119,361
Other revenue	5	**18,117**	12,844
Selling expenses		**(7,877)**	(4,795)
Administrative expenses		**(48,818)**	(30,675)
Profit from operations		**131,712**	96,735
Finance costs	6(a)	**(6,872)**	(754)
Share of profits less losses of associates		**29,748**	14,811
Profit before taxation	6	**154,588**	110,792
Taxation	7	**(13,449)**	(3,341)
Profit after taxation		**141,139**	107,451
Minority interests		**(395)**	490
Profit attributable to shareholders	10	**140,744**	107,941
Final dividend proposed after the balance sheet date	11	**26,547**	21,469
Earnings per share	12		
Basic (in cents)		**11.6**	10.4*
Diluted (in cents)		**11.3**	10.2*

* Adjusted for the effect of the Bonus Issue.

The notes on pages 45 to 82 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2005
(Expressed in Hong Kong dollars)

	Note	2005		2004	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	14		**161,537**		136,405
Construction in progress	15		**183,397**		159,466
Interests in associates	17		**79,964**		53,237
Intangible assets	18		**466,259**		—
Goodwill	19		**74,450**		70,869
			965,607		419,977
Current assets					
Investment	20	**565**		—	
Inventories	21	**82,484**		79,178	
Trade receivables	22	**129,065**		93,889	
Other receivables, deposits and prepayments	23	**156,536**		53,331	
Cash and bank balances	24	**156,045**		195,295	
		524,695		421,693	
Current liabilities					
Trade payables	25	**51,218**		43,828	
Other payables and accruals	26(a)	**64,224**		13,449	
Bank loans	27	**57,169**		28,371	
Current taxation	28(a)	**3,085**		2,232	
		175,696		87,880	
Net current assets			**348,999**		333,813
Total assets less current liabilities			**1,314,606**		753,790
Non-current liabilities					
Deferred income		**5,645**		2,001	
Government grant		**719**		—	
Other payable	26(b)	**90,400**		—	
Bank loan	27	**94,189**		—	
Convertible bonds	29	**124,000**		—	
			314,953		2,001
Minority interests			**50,343**		44,297
NET ASSETS			**949,310**		707,492

at 31 March 2005
(Expressed in Hong Kong dollars)

	Note	**2005**		2004	
		$'000	**$'000**	$'000	$'000
CAPITAL AND RESERVES					
Share capital	30		**126,413**		58,919
Reserves	32(a)		**822,897**		648,573
			949,310		707,492

Approved and authorised for issue by the board of directors on 23 June 2005.

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 45 to 82 form part of these financial statements.

Balance Sheet

at 31 March 2005
(Expressed in Hong Kong dollars)

	Note	2005		2004	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	14		**53**		34
Interests in subsidiaries	16		**831,017**		334,322
			831,070		334,356
Current assets					
Amount due from a subsidiary	16	**28,273**		—	
Other receivables, deposits and prepayments	23	**1,303**		41,076	
Cash and bank balances	24	**15,051**		90,926	
		44,627		132,002	
Current liabilities					
Other payables and accruals	26(a)	**7,383**		2,573	
Bank loan	27	**28,913**		—	
		36,296		2,573	
Net current assets			**8,331**		129,429
Total assets less current liabilities			**839,401**		463,785
Non-current liabilities					
Other payable	26(b)	**90,400**		—	
Convertible bonds	29	**124,000**		—	
			214,400		—
NET ASSETS			**625,001**		463,785
CAPITAL AND RESERVES					
Share capital	30		**126,413**		58,919
Reserves	32(b)		**498,588**		404,866
			625,001		463,785

Approved and authorised for issue by the board of directors on 23 June 2005.

KAM Yuen
Director

ZHENG Ting
Director

The notes on pages 45 to 82 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2005
(Expressed in Hong Kong dollars)

	Note	**2005** **$'000**	2004 $'000
Shareholders' equity at 1 April		**707,492**	389,065
Exchange differences on translation of the financial statements of entities outside Hong Kong	32	**(2,014)**	732
Net profit for the year	32	**140,744**	107,941
Dividend paid during the year	11(b)	**(21,469)**	(14,550)
Movements in share capital			
- Shares issued	30	**7,857**	10,419
- Share premium arising from issue of shares	32	**116,700**	213,885
		124,557	224,304
Shareholders' equity at 31 March		**949,310**	707,492

The notes on pages 45 to 82 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2005
(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Operating activities			
Profit before taxation		**154,588**	110,792
Adjustments for:			
- Depreciation		**12,947**	10,648
- Amortisation of goodwill		**3,793**	1,897
- Gain on disposal of fixed assets		**(191)**	—
- Write back of other payables		**(866)**	—
- Interest income		**(1,143)**	(986)
- Finance costs		**6,872**	754
- Share of profits less losses of associates		**(29,748)**	(14,811)
- Effect of foreign exchange rates		**(294)**	(34)
Operating profit before changes in working capital		**145,958**	108,260
Increase in inventories		**(2,645)**	(1,067)
Increase in trade receivables		**(35,043)**	(45,163)
(Increase)/decrease in other receivables, deposits and prepayments		**(102,472)**	8,100
Increase in trade payables		**5,884**	12,635
Decrease in other payables and accruals		**(20,609)**	(7,997)
Increase in deferred income		**3,644**	2,001
Cash (used in)/generated from operations		**(5,283)**	76,769
Tax paid		**(9,795)**	—
Net cash (used in)/from operating activities		**(15,078)**	76,769
Investing activities			
Payment for additions to construction in progress		**(7,622)**	(135,783)
Proceeds from disposal of fixed assets		**7,462**	—
Payment for purchase of fixed assets		**(3,131)**	(1,506)
Payment for purchase of subsidiaries, net of cash acquired	33	**(138,557)**	(46,626)
Net increase in time deposits with original maturity over three months		**—**	(134)
Payment for investment		**(565)**	—
Interest received		**1,143**	986
Net cash used in investing activities		**(141,270)**	(183,063)

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 March 2005
(Expressed in Hong Kong dollars)

	Note	**2005** **$'000**	2004 $'000
Financing activities			
Proceeds from new bank loans		**151,358**	—
Repayment of bank loan		**(28,371)**	—
Proceeds from shares issued under share option scheme		**16,244**	8,263
Net proceeds from the placing of new shares		**—**	148,001
Net proceeds from government grants		**719**	—
Dividend paid		**(15,555)**	(14,550)
Interest paid		**(6,872)**	(754)
Net cash from financing activities		**117,523**	140,960
Net (decrease)/increase in cash and cash equivalents		**(38,825)**	34,666
Cash and cash equivalents at 1 April		**156,939**	121,993
Effect of foreign exchange rates changes		**(267)**	280
Cash and cash equivalents at 31 March	24	**117,847**	156,939

The notes on pages 45 to 82 form part of these financial statements.

1 BACKGROUND

Golden Meditech Company Limited (the "Company") was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries are collectively referred to as the "Group".

2 RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group will adopt these new HKFRSs in the financial statements with accounting period beginning on 1 April 2005.

The Group has not early adopted these new HKFRSs in the preparation of its consolidated financial statements for the year ended 31 March 2005. However, the Group has made a preliminary assessment of the impact of these new HKFRSs as set out below:

(a) Hong Kong Financial Reporting Standard 2 ("HKFRS 2") on share-based payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of directors' and employees' share options of the Company. Currently, the Group does not recognise any expenses relating to the share options issued by the Company.

The adoption of HKFRS 2 does not have a material effect on the Group's results of operations and financial position in 2005.

(b) Hong Kong Financial Reporting Standard 3 ("HKFRS 3") on business combination

Under HKFRS 3, the accounting policy for the Group's goodwill will change such that goodwill is no longer amortised but instead is subject to impairment test on an annual basis or when there are indications of impairment. As a result of this change in policy, the net assets of the Group would be increased by $4,554,000 as at 31 March 2005 and the profit for the year ended 31 March 2005 would be increased by $4,554,000.

(c) Hong Kong Accounting Standard 17 ("HKAS 17") on leases

In accordance with HKAS 17, properties will be stated at cost less accumulated depreciation and any provision for impairment except that the leasehold land on which the buildings are situated will be reclassified as a separate class of non-current assets and will be stated at cost less accumulated amortisation.

2 RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

(d) Hong Kong Accounting Standard 32 ("HKAS 32") on financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Company that contain both liability and equity components. Currently, the convertible bonds are classified as liabilities on the balance sheet (see note 29 on the financial statements).

The adoption of HKAS 32 does not have a material effect on the Group's results of operations and financial position in 2005.

(e) Hong Kong Accounting Standard 36 ("HKAS 36") on impairment of assets

Upon the adoption of HKAS 36, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. As the Group does not have any assets with indefinite useful lives, the adoption of HKAS 36 does not have material effect on the Group's result of operations and financial position in 2005.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other signficant changes may be identified as a result.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the disclosure requirements of the Listing Rules of the GEM of the Stock 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 modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(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 (see note 3(l)).

Goodwill is amortised on a straight-line basis over 10 to 20 years.

(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 (see note 3(l)), 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 (see note 3(l)).

(g) Other investments in securities

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

(i) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

(ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Fixed assets

(i) Valuation

Fixed assets are stated in the balance sheets at cost less accumulated depreciation (see note 3(k)) and impairment losses (see note 3(l)).

(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) 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.

(i) Intangible assets (other than goodwill)

(i) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 3(k)) and impairment losses (see note 3(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(ii) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 3(k)) and impairment losses (see note 3(l)).

(iii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 3(l)). Cost comprises direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs ceases 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)*

(k) Depreciation and amortisation

(i) 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

(ii) Amortisation

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year end. The estimated useful lives are as follows:

Licence and certificate	8 years
Capitalised development costs	20 years
Proprietary Chinese medicine formula	20 years

(l) 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;
- intangible assets;
- goodwill; and
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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.

(m) Inventories

Inventories include preservation costs related to cord blood stem cells held by the Group. Preservation costs consist primarily of direct labour and materials including laboratory expenses, blood stem cells collection fees, and indirect costs including allocations of costs from departments that support processing activities and facility allocations.

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion, appropriate share of overheads based on normal operating capacity and other costs incurred in bringing the inventories to their present location and condition.

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

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

(n) Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) 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.

(q) Dividends

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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 ("VAT") and is after deduction of any returns and allowances.

(ii) Service income

Revenue is recognised upon the delivery of the service to the customers.

(iii) VAT refund

VAT refund is recognised as income in the accounting period in which it is earned.

(iv) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(v) 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.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the Stock Exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the Stock 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) 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.

(v) 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.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of autologous blood recovery machines ("ABRS Machines"), Portable ABRS Machines and disposable blood processing chambers and related accessories ("Disposable Chambers"), provision of storage and accessory services of blood stem cells extracted from the umbilical cords of newborn babies ("Cord Blood Bank"), and research and development, manufacture and sale of proprietary Chinese medicines.

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

Turnover recognised during the year may be analysed as follows:

	2005	2004
	$'000	$'000
Sales of ABRS Machines and Portable ABRS Machines	**189,493**	144,154
Sales of Disposable Chambers	**34,826**	26,705
Cord Blood Bank services	**14,578**	3,736
Others	**94**	—
	238,991	174,595

5 OTHER REVENUE

	2005	2004
	$'000	$'000
Interest income	**1,143**	986
VAT refund	**15,671**	11,858
Government grants	**235**	—
Gain on disposal of fixed assets	**191**	—
Write back of other payables	**866**	—
Others	**11**	—
	18,117	12,844

Pursuant to the relevant government policies and approval document from the local government authorities dated 1 July 2002, one of the Group's PRC subsidiaries is entitled to a VAT refund which is calculated at approximately 14% of sales of software products embedded in the ABRS Machines and Portable ABRS Machines for a period expiring in December 2006.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2005 $'000	2004 $'000
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	**5,179**	754
	Interest on convertible bonds	**962**	—
	Other borrowing costs	**731**	—
		6,872	754
(b)	Staff costs:		
	Salaries, wages and other benefits	**9,709**	9,242
	Contributions to defined contribution plans	**425**	425
		10,134	9,667
	Average number of employees during the year	**300**	188
(c)	Other items:		
	Cost of inventories#	**62,673**	52,067
	Cost of services#	**6,028**	3,167
	Amortisation of goodwill	**3,793**	1,897
	Amortisation of goodwill included in share of profits less losses of associates	**762**	762
	Auditors' remuneration		
	- audit services	**1,300**	1,200
	- other services	**12**	—
	Depreciation#	**12,947**	10,648
	Operating lease charges in respect of#		
	- properties	**3,778**	2,398
	- other assets	**462**	265
	Research and development costs	**1,840**	1,568

Costs of inventories and services include $9,998,000 (2004: $8,445,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above in notes 6(b) and 6(c) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) *Taxation in the consolidated income statement represents:*

	2005 **$'000**	2004 $'000
Current tax - Outside Hong Kong		
PRC income tax for the year	**10,658**	2,232
Share of associate's taxation	**2,791**	1,109
	13,449	3,341

PRC income tax

The Group's subsidiaries in the PRC are subject to PRC income tax, at 33% or at a reduced rate of 15%.

In accordance with the relevant tax rules and regulations in the PRC, one of the subsidiaries is fully exempted from PRC income tax until 31 December 2005. Thereafter, this subsidiary will be entitled to a 50% reduction of PRC income tax for the next three years until 31 December 2008.

Another subsidiary of the Group is entitled to a 50% reduction of PRC income tax until 31 December 2006 after full exemption from PRC income tax until 31 December 2003.

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the year ended 31 March 2005 (2004: Nil) as the Group did not have any profits assessable to Hong Kong Profits Tax during the year.

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

	2005		2004	
	$'000	**%**	$'000	%
Profit before taxation	**154,588**		110,792	
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**53,793**	**34.8**	39,156	35.3
Tax effect of non-deductible expenses	**8,424**	**5.4**	—	—
Tax effect of non-taxable revenue	**(6,980)**	**(4.5)**	—	—
Reduced tax rate approved by tax authorities	**(32,104)**	**(20.8)**	(22,956)	(20.7)
Income tax exemption	**(12,746)**	**(8.2)**	(15,937)	(14.4)
Tax effect of unused tax losses not recognised	**3,062**	**2.0**	3,078	2.8
Actual tax expense	**13,449**	**8.7**	3,341	3.0

8 DIRECTORS' REMUNERATION

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

	2005 **$'000**	2004 $'000
Fees	**250**	320
Salaries and other emoluments	**1,622**	1,867
Bonuses	**—**	1,576
Retirement benefits	**50**	57
	1,922	3,820

Included in the directors' remuneration were fees of $250,000 (2004: $320,000) paid to the independent non-executive directors during the year.

Individual emoluments paid/payable to the directors of the Company during the year are as follows:

	2005 **$'000**	2004 $'000
Executive Directors		
Mr. KAM Yuen	**836**	1,862
Ms. JIN Lu	**227**	432
Mr. LU Tian Long	**227**	407
Ms. ZHENG Ting	**227**	427
Ms. CHAU Mei Chun (retired on 23 September 2004)	**155**	372
Independent Non-Executive Directors		
Prof. CAO Gang	**30**	—
Mr. GAO Zong Ze	**160**	260
Prof. GU Qiao	**60**	60
Total	**1,922**	3,820

8 DIRECTORS' REMUNERATION *(Continued)*

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2005	2004
Emoluments bands		
Nil to $1,000,000	**8**	6
$1,000,001 to $1,500,000	**—**	—
$1,500,001 to $2,000,000	**—**	1
	8	7

For the years ended 31 March 2005 and 2004, 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.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2004: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2004: one) individuals is as follows:

	2005	2004
	$'000	$'000
Salaries, allowances and other benefits	**1,047**	649
Discretionary bonuses	**27**	495
Retirement benefits	**24**	12
	1,098	1,156

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emoluments bands		
Nil to $1,000,000	**2**	—
$1,000,001 to $1,500,000	**—**	1
	2	1

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $58,128,000 (2004: $18,629,000) which has been dealt with in the financial statements of the Company.

11 DIVIDEND

(a) Dividend attributable to the year

	2005	2004
	$'000	$'000
Final dividend proposed after the balance sheet date of 2.1 cents per share (2004: 1.8 cents per share*)	**26,547**	21,469

Amount shown in respect of the final dividend for the year ended 31 March 2004 reflected the cash dividend of 1.8 cents per share *. A scrip dividend alternative to the 2004 final dividend was also offered with the result that only $15,555,000 of the 2004 final dividend was paid in cash.

The final dividend proposed after the balance sheet date has not been recognised as a liability as at the balance sheet date. The proposed final dividend for the year ended 31 March 2005 will be payable in cash with a scrip dividend alternative.

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2005	2004
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.8 cents per share* (2004: 1.5 cents per share*)	**21,469**	14,550

* Adjusted for the effect of the Bonus Issue.

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 $140,744,000 (2004: $107,941,000) divided by the weighted average number of 1,211,949,522 (2004: 1,041,442,460 *) shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of $141,706,000 (2004: $107,941,000) as adjusted for the interest on convertible bonds of HK$962,000 (2004: Nil) and the weighted average number of 1,252,846,369 (2004: 1,056,396,430 *) shares in issue during the year after adjusting for the effect of all dilutive potential shares.

* Adjusted for the effect of the Bonus Issue.

(c) Reconciliations

A reconciliation of the earnings and the weighted average number of shares used in calculating the basic and diluted earnings per share is as follows:

	2005 **$'000**	2004 $'000
Earnings		
Consolidated profit attributable to shareholders used in calculating basic earnings per share	**140,744**	107,941
Add : Interest on convertible bonds	**962**	—
Consolidated profit attributable to shareholders used in calculating diluted earnings per share	**141,706**	107,941

	2005 **Number of shares**	2004 Number of shares
Weighted average number of shares		
Weighted average number of shares used in calculating basic earnings per share	**1,211,949,522**	1,041,442,460*
Add: Number of shares deemed to be issued of no consideration arising from share options	**3,884,590**	14,953,970*
Add: Number of shares deemed to be issued on conversion of convertible bonds	**37,012,257**	—
Weighted average number of shares used in calculating diluted earnings per share	**1,252,846,369**	1,056,396,430*

* Adjusted for the effect of the Bonus Issue.

13 SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

(i) Medical Device Segment: the development, manufacture and sale of medical devices including ABRS Machines, Portable ABRS Machines and Disposable Chambers.

(ii) Cord Blood Bank Segment: the provision of blood stem cell storage facilities and accessory services.

(iii) Chinese Herbal Medicine Segment: the research and development, manufacture and sale of proprietary Chinese medicines.

	Medical Device		Cord Blood Bank		Chinese Herbal Medicine		Elimination		Consolidated	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue from external customers	**224,319**	170,859	**14,578**	3,736	**94**	—	**—**	—	**238,991**	174,595
Segment result	**145,209**	113,725	**5,069**	(249)	**(3,004)**	—	**—**	—	**147,274**	113,476
Unallocated operating expenses									**(15,562)**	(16,741)
Finance costs									**(6,872)**	(754)
Share of profits less losses of associates									**29,748**	14,811
Taxation									**(13,449)**	(3,341)
Minority interests									**(395)**	490
Net profit for the year									**140,744**	107,941
Segment assets	**588,605**	618,000	**255,745**	240,136	**527,375**	—	**(52,334)**	(128,455)	**1,319,391**	729,681
Investments in associates									**79,964**	41,120
Unallocated assets									**90,947**	70,869
Total assets									**1,490,302**	841,670
Segment liabilities	**55,600**	53,584	**38,900**	134,149	**71,974**	—	**(52,334)**	(128,455)	**114,140**	59,278
Unallocated liabilities									**376,509**	30,603
Total liabilities									**490,649**	89,881
Capital expenditure	**2,905**	1,903	**7,144**	135,354	**673**	—	**—**	—	**10,722**	137,257
Unallocated capital expenditure									**32**	32
Total capital expenditure									**10,754**	137,289
Depreciation and amortisation for the year	**9,729**	9,616	**2,217**	1,022	**985**	—	**—**	—	**12,931**	10,638
Unallocated depreciation and amortisation for the year									**3,809**	1,907
Total depreciation and amortisation for the year									**16,740**	12,545

The Group's turnover and operating profit are entirely derived from the PRC. Accordingly, no analysis by geographical segment is provided.

14 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 2004	112,048	6,636	30,319	3,178	2,888	155,069
Exchange adjustments	(454)	(27)	(123)	(13)	(11)	(628)
Transfer from construction in progress (note 15)	—	13,544	6,325	—	20	19,889
Through acquisition of subsidiaries	—	—	12,867	3,415	15,952	32,234
Additions	18	621	574	724	1,194	3,131
Disposal	—	—	(11,474)	—	(425)	(11,899)
At 31 March 2005	111,612	20,774	38,488	7,304	19,618	197,796
Aggregate depreciation:						
At 1 April 2004	7,348	2,452	6,805	919	1,140	18,664
Exchange adjustments	(31)	(10)	(28)	(4)	(5)	(78)
Through acquisition of subsidiaries	—	—	5,267	731	3,356	9,354
Charge for the year	5,303	2,786	3,210	780	868	12,947
Written back on disposal	—	—	(4,310)	—	(318)	(4,628)
At 31 March 2005	12,620	5,228	10,944	2,426	5,041	36,259
Net book value:						
At 31 March 2005	98,992	15,546	27,544	4,878	14,577	161,537
At 31 March 2004	104,700	4,184	23,514	2,259	1,748	136,405

At 31 March 2005, the Group pledged land and buildings with an aggregate carrying value of approximately $98,992,000 (2004: Nil), as collaterals against a certain loan granted to the Group by a bank (see note 27(a)).

14 FIXED ASSETS *(Continued)*

	The Company Equipment $'000
Cost:	
At 1 April 2004	42
Additions	32
At 31 March 2005	74
Aggregate depreciation:	
At 1 April 2004	8
Charge for the year	13
At 31 March 2005	21
Net book value:	
At 31 March 2005	53
At 31 March 2004	34

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

	The Group	
	2005 $'000	2004 $'000
Outside Hong Kong		
- under medium-term lease	**98,992**	104,700

15 CONSTRUCTION IN PROGRESS

	The Group	
	2005 $'000	2004 $'000
At 1 April	**159,466**	7,176
Exchange adjustments	**(649)**	25
Through acquisition of a subsidiary	**36,847**	18,158
Additions	**7,622**	135,783
Transfer to fixed assets (note 14)	**(19,889)**	(1,676)
At 31 March	**183,397**	159,466

Construction in progress as at 31 March 2005 represents renovation work in progress, machinery under installation and construction of storage facilities for blood stem cells and a leasehold land and building for the production of proprietary Chinese medicines, where the production has not yet commenced as at 31 March 2005.

16 INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	$'000	$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**831,016**	334,321
	831,017	334,322

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

Amount due from a subsidiary under current assets is unsecured, interest-free and repayable on demand.

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: Group's effective holding	Percentage of equity: held by the Company	Percentage of equity: held by subsidiaries	Issued/ registered capital	Principal activities
China Bright Group Co. Limited	Hong Kong	100%	100%	—	$13,158	Investment holding
Golden Meditech (BVI) Company Limited	British Virgin Islands	100%	100%	—	US$1	Investment holding
Golden Meditech Medical Devices Distribution (BVI) Company Limited	British Virgin Islands	100%	100%	—	US$1	Investment holding
Golden Meditech Stem Cells (BVI) Company Limited	British Virgin Islands	100%	100%	—	US$1	Investment holding
Golden Meditech Herbal Treatment (BVI) Company Limited	British Virgin Islands/ Hong Kong	100%	100%	—	US$1	Investment holding
Qi Jie Yuan Medicine Holding (HK) Limited	British Virgin Islands	51%	—	51%	US$100	Investment holding

(Expressed in Hong Kong dollars)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operations	Percentage of equity Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
China Stem Cells Holdings Limited	Cayman Islands	51%	—	51%	US$100	Investment holding
Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") #	PRC	100%	—	100%	US$ 10,100,000	Manufacture and sale of medical devices
Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong") #	PRC	51%	—	100%	RMB 100,000,000	Provision of blood stem cell storage facilities and accessory services
Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd. ("Qijieyuan") #	PRC	51%	—	100%	RMB 20,000,000	Research and development of proprietary Chinese medicines
Shanghai Baisuihang Pharmaceutical Co., Ltd. ("Baisuihang")	PRC	60.8%	—	100%	RMB 41,558,000	Manufacture and sale of proprietary Chinese medicines

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

17 INTERESTS IN ASSOCIATES

	The Group	
	2005	2004
	$'000	$'000
Share of net assets	**73,865**	34,259
Goodwill	**6,099**	6,861
Due from an associate	**—**	12,117
	79,964	53,237

Name of company	**Place of establishment and operation**	**Percentage of equity held by subsidiaries**	**Issued/ registered capital**	**Principal activities**
China Medical Technologies, Inc. ("China Medical") #	Cayman Islands/ PRC	25%	US$20,000,000	Investment holding
Union China National Medical Equipment Co., Ltd.	PRC	37.8%	US$4,000,000	Sale and distribution of medical devices

\# On 19 January 2005, China Medical issued 50,000,000 ordinary shares of US$0.1 each to the Group in exchange for its beneficial interests in Beijing Yuande Bio-Medical Engineering Co., Ltd. ("Yuande") as part of a corporate reorganisation of Yuande.

18 INTANGIBLE ASSETS

	The Group			
	Licence and certificate	Capitalised development costs	Unpatented proprietary Chinese medicine formula	Total
	$'000	$'000	$'000	$'000
Cost:				
At 1 April 2004	—	—	—	—
Through acquisition of a subsidiary	29,479	16,232	420,548	466,259
At 31 March 2005	29,479	16,232	420,548	466,259
Accumulated amortisation:				
At 1 April 2004 and 31 March 2005	—	—	—	—
Carrying amount:				
At 31 March 2005	29,479	16,232	420,548	466,259
At 31 March 2004	—	—	—	—

Licence and certificate represents the fair value on acquisition of a new medicine certificate obtained from the State Food and Drug Administration for the commercialisation of TangHerb®, which is used to enhance the immune system of HIV carriers and AIDS patients and defer the progression of such illness. The value is amortised on a straight line basis over its estimated useful life of eight years.

Capitalised development costs represent costs incurred in the development of TangHerb® and is amortised on a straight line basis over its estimated useful life of twenty years.

Unpatented proprietary Chinese medicine formula represents the fair value on acquisition of a production formula for the commercialisation of TangHerb®. The Group is in the process of applying for the patent in respect of this production formula. The value is amortised on a straight line basis over its estimated useful life of twenty years.

There is no amortisation charge for the year since the production of TangHerb® has not commenced as at 31 March 2005.

19 GOODWILL

	The Group	
	2005	2004
	$'000	$'000
Cost:		
At 1 April	**73,034**	966
Through acquisition of a subsidiary	**7,374**	72,068
At 31 March	**80,408**	73,034
Accumulated amortisation:		
At 1 April	**2,165**	268
Amortisation for the year	**3,793**	1,897
At 31 March	**5,958**	2,165
Carrying amount:		
At 31 March	**74,450**	70,869

Goodwill is amortised on a straight-line basis over 10 to 20 years.

20 INVESTMENT

	The Group	
	2005	2004
	$'000	$'000
Equity securities listed outside Hong Kong	**565**	—

21 INVENTORIES

	The Group	
	2005	2004
	$'000	$'000
Raw materials	**1,522**	1,108
Work in progress	**2,234**	991
Finished goods	**78,728**	77,079
	82,484	79,178

Included in finished goods are preservation costs related to cord blood stem cells of $72,638,000 (2004: $73,043,000).

All inventories are stated at cost.

22 TRADE RECEIVABLES

Customers are generally granted with credit terms of 2 to 6 months. Details of the ageing analysis of trade receivables (net of specific allowances for bad and doubtful debts) are as follows:

	The Group	
	2005	2004
	$'000	$'000
Within 6 months	**89,733**	70,142
Between 7 and 12 months	**30,063**	16,656
Over one year	**9,269**	7,091
	129,065	93,889

All of the trade receivables are expected to be recovered within one year. The management closely monitors any overdue balances and take necessary action.

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(i) Included in other receivables, deposits and prepayments of the Group at 31 March 2005 is earnest money totalled $129,038,000 in connection with a proposed investment in a PRC entity engaged in mobile handset distribution. The amount would be refundable to the Company should agreement of commercial terms not be reached on or before 28 July 2005. The proposed investment was still in the process of negotiation at 31 March 2005.

Included in other receivables, deposits and prepayments of the Group and the Company at 31 March 2004 are earnest monies totalled $40,000,000 in connection with the proposed investments in PRC entities with operations in the medical equipment distribution and pharmaceutical industries. These investments have been concluded during the year ended 31 March 2005.

(ii) Included in other receivables, deposits and prepayments of the Group at 31 March 2005 are cash advances to a director of a subsidiary with an aggregate amount of HK$569,000 (2004: Nil). The amount due is unsecured, non-interest bearing and repayable on demand.

(iii) Included in other receivables, deposits and prepayments of the Group at 31 March 2005 is consideration receivable from a former shareholder of a subsidiary with an amount of $7,608,000 (2004: Nil) in respect of the disposal of fixed assets and inventories. The amount due is unsecured, non-interest bearing and repayable on demand.

(iv) All of the other receivables, deposits and prepayments are expected to be recovered within one year.

24 CASH AND BANK BALANCES

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deposits with banks	**38,198**	88,527	**—**	50,058
Cash at bank and on hand	**117,847**	106,768	**15,051**	40,868
	156,045	195,295	**15,051**	90,926
Time deposits with original maturity over three months	**(38,198)**	(38,356)		
Cash and cash equivalents in the cash flow statement	**117,847**	156,939		

25 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	
	2005	2004
	$'000	$'000
Due within 3 months or on demand	**51,218**	43,828

26 OTHER PAYABLES AND ACCRUALS

(a) All of the other payables and accruals under current liabilities are expected to be settled within one year. At 31 March 2005, details of other payables and accruals under the current liabilities are as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Amount due to a former shareholder of a subsidiary (note (i))	**47,439**	—	**—**	—
Other payables and accruals	**16,785**	13,449	**7,383**	2,573
	64,224	13,449	**7,383**	2,573

(i) The amount was due to a former shareholder of Baisuihang at 31 March 2005. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

(b) At 31 March 2005, included in other payables and accruals under non-current liabilities is the remaining balance of consideration payable of $90,400,000 in respect of the acquisition of a 51% equity interest in Qijieyuan. According to the sale and purchase agreement, this balance was originally payable in cash on or before 6 September 2005. On 25 March 2005, an agreement was reached with Qi Jie Yuan Holdings Limited (the "Transferor ") to extend the payment term for another year as the production of TangHerb® did not commence as planned. The balance is unsecured, non-interest bearing and payable on or before 6 September 2006.

27 BANK LOANS

At 31 March 2005, the bank loans were repayable as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**57,169**	28,371	**28,913**	—
After 1 year but within 2 years	**—**	—	**—**	—
After 2 years but within 5 years (note (a))	**94,189**	—	**—**	—
After 5 years	**—**	—	**—**	—
	94,189	—	**—**	—
	151,358	28,371	**28,913**	—

At 31 March 2005, the bank loans were secured as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Bank loans				
— secured (notes (a) and (b))	**122,445**	28,371	**—**	—
— unsecured	**28,913**	—	**28,913**	—
	151,358	28,371	**28,913**	—

(a) A bank loan of $94,189,000 repayable on 15 September 2007 is classified as a non-current liability in the balance sheet. This bank loan is secured by land and buildings as detailed in note 14.

(b) A secured bank loan of $28,256,000, which carries interest at 5.84% (2004: 5.31%) per annum and is repayable on 30 May 2005, is secured by a related company controlled by a director of a subsidiary of the Group. As at 23 June 2005, the subsidiary is in negotiation with the bank to extend the term of loan for another year.

28 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2005	2004
	$'000	$'000
Provision for taxation:		
— Hong Kong	**—**	—
— Outside Hong Kong	**3,085**	2,232
	3,085	2,232

(b) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of tax losses of $46,660,000 (2004: $39,914,000). Tax losses of the Group's PRC subsidiary totalled $19,742,000 (2004: $4,170,000) will expire during 2005 to 2009. Other tax losses do not expire under the current tax legislation.

29 CONVERTIBLE BONDS

	The Group and the Company	
	2005	2004
	$'000	$'000
Principal amount	**226,400**	—
Conversion into ordinary shares during the year (note 30(d))	**(102,400)**	—
	124,000	—

Upon the completion of the acquisition of Qijieyuan on 6 September 2004, the Company issued convertible bonds with a principal amount of $226,400,000 as part of consideration for the acquisition of Qijieyuan.

The convertible bonds bear interest at the rate of 1% per annum and will mature on 5 September 2007. The outstanding principal amount of the bonds may be converted into ordinary shares of the Company at an initial conversion price of $3.8 per share, subject to adjustment in certain circumstances, from 6 December 2004 to 5 September 2007. As a result of the Bonus Issue, the conversion price has been adjusted to $1.9 per share with effect from 24 September 2004, as approved by the Board and certified by the Company's auditors in accordance with the terms of the convertible bonds.

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

30 SHARE CAPITAL

	Note	2005 No. of shares ('000)	2005 $'000	2004 No. of shares ('000)	2004 $'000
Authorised:					
Ordinary shares of $0.1 each		**2,000,000**	**200,000**	1,000,000	100,000
Issued and fully paid:					
At 1 April		**589,185**	**58,919**	485,000	48,500
Issue of shares for the acquisition of a subsidiary	33	—	—	40,000	4,000
Issue of shares for cash	(a)	—	—	57,000	5,700
Shares issued under share option scheme	(b)	**21,065**	**2,107**	7,185	719
Bonus Issue of shares	(c)	**596,370**	**59,637**	—	—
Issue of shares upon conversion of convertible bonds	(d)	**53,895**	**5,389**	—	—
Issue of shares for scrip dividend	(e)	**3,610**	**361**	—	—
At 31 March		**1,264,125**	**126,413**	589,185	58,919

(a) In January 2004, the Company allotted and issued 57,000,000 shares of $0.1 each at a price of $2.7 per share.

(b) During the year, 21,065,000 shares of $0.1 each were issued under a share option scheme to the option holders on the exercise of their share options at a total cash consideration of approximately $16,244,000. A summary of the principal terms of the Company's share option schemes is set out in note 31.

(c) Pursuant to an ordinary resolution passed at the annual general meeting held on 23 September 2004, a bonus issue of shares was made on the basis of ten bonus shares for every ten existing shares of $0.1 each by a capitalisation of the share premium account, resulting in the issue of 596,370,000 shares of $0.1 each.

(d) During the year, 53,895,000 shares of $0.1 each were issued upon the conversion of convertible bonds (see note 29). The share capital and share premium accounts of the Company have been increased by approximately $5,389,000 and $97,011,000 (see note 32) respectively following the conversion.

(e) During the year, the Company offered its shareholders a scrip dividend alternative under which the shareholders could elect to receive shares of $0.1 each in lieu of the 2004 final dividend. On 8 November 2004, 3,610,000 shares of $0.1 each were issued and allotted to the electing shareholders and credited as fully paid at the issue price of $1.638 per share.

31 SHARE OPTIONS

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

(i) The Company adopted a share option scheme on 30 July 2002 (the "2002 Scheme"). The Company by shareholders' resolutions passed at the extraordinary general meeting held on 30 March 2005 has adopted a new share option scheme (the "Current Scheme" and, together with the 2002 Scheme, the "Schemes") and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, any outstanding share options granted under the 2002 Scheme shall continue to be exercisable subject to the provisions of the 2002 Scheme and the provisions of Chapter 23 of the GEM Listing Rules. The Current Scheme shall be valid and effective until 29 March 2015.

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

The purpose of the Current Scheme is to recognise the contribution of the executives, employees, directors (including non-executive directors and independent non-executive directors), consultants, advisers and agents of the Company and its affiliates (the "Current Participants" and, together with the 2002 Participants, the "Participants") by granting share options to them as incentives or rewards.

(iii) The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Scheme and the Current Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at 30 March 2005, the date the Current Scheme was adopted. Pursuant to the Schemes, the total number of shares available for issue in respect thereof was 63,206,245 shares, representing approximately 5% of the issued share capital of the Company as at the date of this annual report. The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Schemes must not exceed 30% of the shares in issue from time to time.

(iv) Pursuant to each of the 2002 Scheme and the Current Scheme, the total number of shares issued and to be issued upon the exercise of all share options granted and to be granted to each Participant (including both exercised and outstanding share options) in any 12-month period up to and including the offer date shall not exceed 1% of the shares in issue as at the offer date. The Company may grant share options in excess of such limit, subject to shareholders' approval in general meeting.

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

Pursuant to the Current Scheme, a share option may be exercised at any time during a period notified by the Board to the grantee, such period shall not be longer than 10 years from the date of offer.

(vi) Pursuant to each of the 2002 Scheme and the Current Scheme, a share option may be granted by the Board upon any terms and conditions as it may think fit subject to the rules of the Schemes and the GEM Listing Rules. Save for this, there is neither any performance targets that need to be achieved by the grantee nor any minimum period for which a share option must be held before a share option can be exercised.

(vii) Pursuant to each of the 2002 Scheme and the Current Scheme, acceptance of an offer must be made by the grantee by the date specified in the offer as the last date for acceptance, together with a remittance in favour of the Company of $1 by way of consideration for the grant.

(Expressed in Hong Kong dollars)

31 SHARE OPTIONS *(Continued)*

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

(viii) Pursuant to the 2002 Scheme and the Current Scheme, the exercise price shall be determined by the Board, but shall not be less than the higher of :

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;

(2) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and

(3) the nominal value of the shares.

(b) Movements in share options

	2005 Number	2004 Number
At 1 April	**17,065,000**	24,250,000
Additional share options due to the Bonus Issue	**9,880,000**	—
Granted	**77,576,245**	—
Exercised	**(21,065,000)**	(7,185,000)
At 31 March	**83,456,245**	17,065,000

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

Date granted	**Exercisable period**	**Exercise price**	**2005 Number**	2004 Number
31 March 2003	1 April 2003 to 16 March 2013	$0.575*	**5,880,000**	17,065,000
4 March 2005	4 June 2005 to 28 February 2015	$1.60	**14,370,000**	—
30 March 2005	30 September 2005 to 3 March 2015	$1.76	**63,206,245**	—
			83,456,245	17,065,000

(Expressed in Hong Kong dollars)

31 SHARE OPTIONS *(Continued)*

(d) Details of share options granted during the year

Exercisable period	Exercise price	2005 Number	2004 Number
4 June 2005 to 28 February 2015	$1.60	**14,370,000**	—
30 September 2005 to 3 March 2015	$1.76	**63,206,245**	—

The consideration payable by each employee for the entire amount of share options granted is $1.

(e) Share options exercised during the year

Exercise date	Exercise price	Market value per share immediately before the date of exercise	Number	Proceeds received
28 April 2004	$1.150	$3.20	7,185,000	$8,262,750
3 February 2005	$0.575*	$1.80	5,200,000	2,990,000
4 February 2005	$0.575*	$1.80	3,200,000	1,840,000
18 February 2005	$0.575*	$1.75	5,480,000	3,151,000
			21,065,000	$16,243,750

* Adjusted for the effect of the Bonus Issue.

32 RESERVES

(a) The Group

	Note	Share premium $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Retained profits $'000	Total $'000
At 1 April 2004		376,406	54,193	727	17,322	199,925	648,573
Shares issued under share option scheme	30(b)	14,137	—	—	—	—	14,137
Bonus Issue of shares	30(c)	(59,637)	—	—	—	—	(59,637)
Issue of shares upon conversion of convertible bonds	30(d)	97,011	—	—	—	—	97,011
Issue of shares for scrip dividend	30(e)	5,552	—	—	—	—	5,552
Profit for the year		—	—	—	—	140,744	140,744
Exchange differences on translation of financial statements of companies outside Hong Kong		—	—	(2,014)	—	—	(2,014)
Dividend approved in respect of previous year	11(b)	—	—	—	—	(21,469)	(21,469)
Transfer to surplus reserve		—	—	—	12,165	(12,165)	—
At 31 March 2005		433,469	54,193	(1,287)	29,487	307,035	822,897
At 1 April 2003		162,521	54,193	21	7,307	116,523	340,565
Premium arising from the placing of shares		212,240	—	—	—	—	212,240
Shares issued under share option scheme		7,544	—	—	—	—	7,544
Share issue expenses		(5,899)	—	—	—	—	(5,899)
Profit for the year		—	—	—	—	107,941	107,941
Exchange differences on translation of financial statements of companies outside Hong Kong		—	—	706	26	—	732
Dividend approved in respect of previous year	11(b)	—	—	—	—	(14,550)	(14,550)
Transfer to surplus reserve		—	—	—	9,989	(9,989)	—
At 31 March 2004		376,406	54,193	727	17,322	199,925	648,573

	2005 $'000	2004 $'000
Profits are retained as follows:		
By the Company and its subsidiaries	**264,852**	185,461
By associates	**42,183**	14,464
	307,035	199,925

32 RESERVES *(Continued)*

(b) The Company

	Note	Share premium $'000	Retained profits $'000	Total $'000
At 1 April 2004		376,406	28,460	404,866
Shares issued under share option scheme	30(b)	14,137	—	14,137
Bonus Issue of shares	30(c)	(59,637)	—	(59,637)
Issue of shares upon conversion of convertible bonds	30(d)	97,011	—	97,011
Issue of shares for scrip dividend	30(e)	5,552	—	5,552
Dividend approved in respect of previous year	11(b)	—	(21,469)	(21,469)
Profit for the year		—	58,128	58,128
At 31 March 2005		433,469	65,119	498,588
At 1 April 2003		162,521	24,381	186,902
Premium arising from the placing of shares		212,240	—	212,240
Shares issued under share option scheme		7,544	—	7,544
Share issue expenses		(5,899)	—	(5,899)
Dividend approved in respect of previous year	11(b)	—	(14,550)	(14,550)
Profit for the year		—	18,629	18,629
At 31 March 2004		376,406	28,460	404,866

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

33 ACQUISITION OF SUBSIDIARIES

On 15 September 2003, the Group acquired a 51% equity interest in Jiachenhong for a consideration of $118,682,000 satisfied by the issue of 40,000,000 ordinary shares of $0.1 each at $1.701 per share and cash consideration of $50,642,000.

On 6 September 2004, the Group acquired a 51% equity interest in Qijieyuan for a consideration of $452,800,000 satisfied by the issue of the convertible bonds with a principal amount of $226,400,000 and cash consideration of $226,400,000.

On 22 December 2004, the Group acquired a 60.8% equity interest in Baisuihang for a cash consideration of $2,826,000.

	2005	2004
	$'000	$'000
Net assets acquired		
Fixed assets	**22,880**	11,733
Construction in progress	**36,847**	18,158
Intangible assets	**466,259**	—
Inventories	**661**	73,512
Trade and other receivables, deposits and prepayments	**866**	14,310
Cash at bank and on hand	**269**	4,016
Trade and other payables and accruals	**(73,667)**	(1,957)
Short term bank loan	**—**	(28,371)
Net identifiable assets and liabilities	**454,115**	91,401
Minority interests	**(5,863)**	(44,787)
	448,252	46,614
Goodwill arising on consolidation	**7,374**	72,068
Total purchase price paid	**455,626**	118,682
Less: Satisfied by the issue of convertible bonds	**(226,400)**	—
Satisfied by the issue of shares	**—**	(68,040)
Cash of the subsidiaries acquired	**(269)**	(4,016)
Balance payable included in other payables and accruals (note (a))	**(90,400)**	—
Net cash outflow in respect of the purchase of subsidiaries	**138,557**	46,626

(a) In respect of the acquisition of a 51% equity interest in Qijieyuan, the remaining balance of the consideration payable of $90,400,000 was originally payable in cash on or before 6 September 2005. On 25 March 2005, an agreement was reached with the Transferor to extend the payment term for another year as the production of TangHerb® did not commence as planned. The balance is unsecured, non-interest bearing and payable on or before 6 September 2006.

This balance has been classified as a non-current liability in the balance sheet as at 31 March 2005 (see note 26(b)).

34 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of the renovation of premises and construction of storage facilities for blood stem cells outstanding as at 31 March 2005 not provided for in the financial statements are as follows:

	The Group	
	2005	2004
	$'000	$'000
Contracted for	**53,964**	53,568

(b) Operating lease commitments

As at 31 March 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Within 1 year	**2,324**	2,036	**1,102**	1,313
After 1 year but within 5 years	**1,726**	12	**1,143**	12
	4,050	2,048	**2,245**	1,325

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.

35 RETIREMENT SCHEMES

Hong Kong

Since December 2001, the Company and its Hong Kong subsidiary operate a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement scheme. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

PRC, other than Hong Kong

Pursuant to the relevant PRC regulations, the Company's PRC subsidiaries, are required to make contributions at approximately 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.

36 RELATED PARTY TRANSACTIONS

(i) A related company controlled by a director of a subsidiary of the Group provided security against a bank loan granted to the subsidiary during the year ended 31 March 2005 (note 27(b)).

(ii) Cash advances in aggregate amount of $569,000 was made to a director of a subsidiary during the year ended 31 March 2005. The amount due is unsecured, non-interest bearing and repayable on demand. No repayment has been made subsequent to the balance sheet date.

(iii) During the year ended 31 March 2005, fixed assets and inventories with carrying amount of $7,417,000 were disposed of to a former shareholder of a subsidiary for a consideration of $7,608,000. The amount due is unsecured, non-interest bearing and repayable on demand. The amount has been subsequently settled in May 2005.

37 POST BALANCE SHEET EVENTS

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

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

RESULTS

	Year ended 31 March 2001 HK$'000	Year ended 31 March 2002 HK$'000	Year ended 31 March 2003 HK$'000	Year ended 31 March 2004 HK$'000	**Year ended 31 March 2005 HK$'000**
Turnover	16,983	78,597	133,580	174,595	**238,991**
Profit from operations	6,004	41,876	76,543	96,735	**131,712**
Finance costs	(163)	(283)	—	(754)	**(6,872)**
Share of profits less losses from associates	—	—	—	14,811	**29,748**
Profit before taxation	5,841	41,593	76,543	110,792	**154,588**
Taxation	—	—	—	(3,341)	**(13,449)**
Profit after taxation	5,841	41,593	76,543	107,451	**141,139**
Minority interests	—	—	—	490	**(395)**
Profit attributable to shareholders	5,841	41,593	76,543	107,941	**140,744**

ASSETS AND LIABILITIES

	As at 31 March				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Fixed assets	280	868	131,677	136,405	**161,537**
Construction in progress	4,364	79,729	7,176	159,466	**183,397**
Interests in associates	—	—	39,535	53,237	**79,964**
Intangible assets	—	—	—	—	**466,259**
Goodwill	894	796	698	70,869	**74,450**
	5,538	81,393	179,086	419,977	**965,607**
Current assets	52,381	114,101	260,661	421,693	**524,695**
Total assets	57,919	195,494	439,747	841,670	**1,490,302**
Current liabilities	(52,215)	(16,384)	(50,682)	(87,880)	**(175,696)**
Total assets less current liabilities	5,704	179,110	389,065	753,790	**1,314,606**
Non-current liabilities	—	—	—	(2,001)	**(314,953)**
Minority interests	—	—	—	(44,297)	**(50,343)**
Net assets	5,704	179,110	389,065	707,492	**949,310**

Notes:

1. The results for the years ended 31 March 2001, 2002 and 2003 are derived from the historical financial statements of the Group. The results for the years ended 31 March 2004 and 2005 are set out on page 38.

2. The assets and liabilities as at 31 March 2001, 2002 and 2003 are derived from the historical financial statements of the Group. The assets and liabilities as at 31 March 2004 and 2005 are set out on pages 39 to 40.

NOTICE IS HEREBY GIVEN that the annual general meeting of Golden Meditech Company Limited (the "Company") for the year 2005 will be held at Salon II, B3, the Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Monday, 5 September 2005 at 10:00 a.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 2005;

2. to declare a final dividend for the year ended 31 March 2005;

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;

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 affiliates of Shares or rights to subscribe for Shares;

      (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; or

      (iv) any issue of Shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into Shares 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;

"**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 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock 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"; and

9. as special business, to consider and, if thought fit, pass with or with amendments, the following resolution as a special resolution:

"**THAT** the Articles of Association of the Company be amended by deleting paragraph (a) of Article 108 in its entirety and substituting therefor the following new paragraph:

108. (a) Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the rules of the stock exchange of the Relevant Territory, and notwithstanding any contractual or other terms on which any Director may be appointed or engaged, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office."

By Order of the Board
KONG Kam Yu
Company Secretary

Hong Kong, 30 June 2005

Notes:

1. The register of members of the Company will be closed from Thursday, 1 September 2005 to Monday, 5 September 2005, 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 Wednesday, 31 August 2005.

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 notarially 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 46th 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. A circular setting out further information regarding the resolutions to be proposed at the annual general meeting will be despatched to members of the Company together with the 2004/2005 Annual Report.

6. The translation into Chinese language of the above notice (including the special resolution which contains the proposed amendment to the Company's Articles of Association) is for reference only. In case of any inconsistency, the English version shall prevail.