



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

(Incorporated in the Cayman Islands with limited liability)



First Quarterly Report 2002/2003

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This document, for which the directors (the “Directors”) of Golden Meditech Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- For the three months ended 30 June 2002, the turnover of the Group amounted to approximately HK\$23,230,000, representing an increase of approximately 87% as compared with the corresponding period in 2001.
- Profit attributable to shareholders for the three months ended 30 June 2002 was approximately HK\$11,563,000, representing an increase of approximately 80% over the corresponding period in 2001.
- Earnings per share was HK2.8 cents for the three months ended 30 June 2002, representing an increase of approximately 33% over the corresponding period in 2001.
- The Directors do not recommend an interim dividend for the three months ended 30 June 2002.

CONSOLIDATED INCOME STATEMENT

The Directors of Golden Meditech Company Limited (the “Company”) are pleased to announce that the unaudited consolidated results for the three months ended 30 June 2002 of the Company and its subsidiaries (collectively referred to as the “Group”) and the audited comparative figures for the corresponding period last year are set out below:

		Three months ended 30 June	
		2002	2001
		Unaudited	Audited
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	23,230	12,392
Cost of sales		(6,493)	(3,687)
Gross profit		16,737	8,705
Other revenue		49	212
Selling expenses		(1,509)	(1,385)
Administrative expenses		(3,714)	(818)
Profit from operations		11,563	6,714
Finance cost		—	(280)
Profit from ordinary activities before taxation		11,563	6,434
Taxation	3	—	—
Profit attributable to shareholders		11,563	6,434
Earnings per share - Basic	5	2.8 cents	2.1 cents

1. **Group reorganisation and basis of preparation**

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. Pursuant to a corporate reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares (the "Reorganisation") on the Growth Enterprise Market (the "GEM"), the Company became the holding company of the Group on 18 December 2001. The Company's shares have been listed on the GEM since 28 December 2001.

The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting. Directors are of the opinion that the consolidated income statement prepared on this basis presents fairly the results of the operations.

Accordingly, the unaudited consolidated income statement of the Group for the three months ended 30 June 2002 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation or establishment, where there is a shorter period.

All intra-group transactions have been eliminated in preparing the unaudited consolidated income statement.

The principal accounting policies adopted in preparing the unaudited consolidated income statement conform with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong. This report also complies with the disclosure provisions of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Turnover

The principal activities of the Group are the manufacturing and sales of blood recovery machines ("Machines") and disposable blood processing chambers and related accessories ("Disposable Chambers").

Turnover represents the amounts received and receivable for goods sold to customers, less returns, allowances, value added tax and other sales tax, and is analysed as follows:

	For three months ended 30 June	
	2002 Unaudited HK\$'000	2001 Audited HK\$'000
Sales of:		
Machines	20,871	10,500
Disposable Chambers	2,359	1,892
	<hr/>	<hr/>
	23,230	12,392
	<hr/> <hr/>	<hr/> <hr/>

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

3. Taxation

(i) *Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2002 and 2001 as the Group did not have assessable profits subject to Hong Kong Profits Tax for the relevant periods.

(ii) *PRC income tax*

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

(iii) *Deferred taxation*

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

4. Dividends

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the three months ended 30 June 2002 (2001: Nil).

5. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 June 2002 is based on the unaudited consolidated profit attributable to shareholders of HK\$11,563,000 divided by the weighted average number of 415,000,000 shares in issue during the period.

The calculation of basic earnings per share for the three months ended 30 June 2001 is based on the audited consolidated profit attributable to shareholders of HK\$6,434,000 divided by 300,000,000 shares, prior to the placing but after adjusting the effect of capitalisation issue as described in Appendix V to the prospectus issued by the Company dated 19 December 2001.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for the three months ended 30 June 2002 and 2001.

6. Reserves

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	36,329	54,193	(199)	47,287	137,610
Net profit for the three months ended 30 June 2002	—	—	—	11,563	11,563
Exchange differences on translation of financial statements of foreign subsidiary	—	—	239	—	239
At 30 June 2002	<u>36,329</u>	<u>54,193</u>	<u>40</u>	<u>58,850</u>	<u>149,412</u>
At 1 April 2001	—	—	—	5,694	5,694
Net profit for the three months ended 30 June 2001	—	—	—	6,434	6,434
At 30 June 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,128</u>	<u>12,128</u>

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

For the three months ended 30 June 2002, the turnover of the Group has risen to HK\$23,230,000, representing a growth of approximately 87%, compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$11,563,000, representing an increase of about 80% over the corresponding period.

During the period, the Group sold 188 sets of Machines and 4,473 units of Disposable Chambers.

The Group maintained steady growth during the period. The lack of production capacity in the past has restricted the Group's expansion plans. Since the commencement of trial production of the new plant from August 2002, the Group is now expanding rapidly to other regions to increase its market share.

The Group's overall gross profit margin increased to 72% for the period, up from 70% in the corresponding period last year. The net profit margin decreased slightly to 50% as a result of the establishment of the Hong Kong office.

PRODUCTION

The Board is pleased to announce that the new production facility located in Beijing Economic-Technology Area in Beijing, the PRC, has commenced trial production since early August 2002. This new production plant accommodates a highly purified workshop and related facilities and semi-automated assembly and production line. The annual capacity of this new plant is 5,000 sets of Machines and 300,000 units of Disposable Chambers. The Directors believe that the increase in the production capacity will satisfy the growing demand for the Group's blood recovery system for the next three years. The existing production facilities will be kept running for a further period to ensure smooth production transition.

RESEARCH AND DEVELOPMENT

The Board is pleased to announce that the development of portable version of autologous blood recovery system (“Portable ABRS”) is ahead of schedule, and is currently undergoing final phase of clinical trials. The Group expects to receive the approval from the State Drug Administration Bureau (“SDA”) in late 2002, and plans to commence production upon the receipt of such approval.

As at 30 June 2002, the Group has three other projects under development:

- 1 A blood component extraction system;
- 2 New filtering system; and
- 3 A liver cleansing system (formerly known as whole blood protein recovery system).

The blood component extraction system is still under development and is on track to reach the final stage of development by the second half of 2003.

The development of the new filtering system is aimed at upgrading the Machines to become suitable for tumor operations. The Group’s current Machines are not recommended to be used during cancer-related surgical operations for fear of cross-contamination by malignant tumor cells. The new filtering system is intended to remove potential cancerous cells from patients’ own blood. This development is still at preliminary stage.

The liver cleansing system is based on the technology derived from whole blood protein recovery system (“Protein System”), which has been under research and development since 2001. The liver cleansing system is intended to remove poisonous substances from patients’ own blood in order to prolong patients’ lives until a suitable liver organ replacement is found. The development is at preliminary stage, and the Directors are confident that the project will reach the final stage of development in 2004.

POST BALANCE SHEET EVENTS

1 PLACING OF 70,000,000 SHARES AT HK\$2.00 EACH

On 10 July 2002, the Company and Bio Garden Inc. (“Bio Garden”), the holding company of the Company, entered into a placing agreement with ICEA Capital Limited to place an aggregate of 70,000,000 shares (including an over-allotment option of 20,000,000 shares) at HK\$2.00 each. Bio Garden and the Company also entered into a subscription agreement on the same date pursuant to which, upon the completion of placing, Bio Garden, in turn, would subscribe for the same number of shares at HK\$2.00 each (net of expenses). The subscription for 70,000,000 shares was complete on 24 July 2002. The net proceeds of approximately HK\$133,000,000 was intended to finance the investment in Beijing Yuande Biological Medical Engineering Company Limited (“Beijing Yuande”), and any other investment opportunities.

2 INVESTMENT IN BEIJING YUANDE

On 8 July 2002, the Company entered into a letter of intent with Beijing Yuande for the subscription of 25% interest in the enlarged share capital of Beijing Yuande for a cash consideration of approximately HK\$50 million. Beijing Yuande also granted an option to the Company to allow the Company to increase its interest in Beijing Yuande to up to 51% for an aggregate cash consideration of approximately HK\$100 million. The letter of intent is non-legally binding. The proposed investment in Beijing Yuande is subject to the execution of definitive and legally-binding agreement between the Company and Beijing Yuande within a period of 60 days from the date of the letter of intent. A further announcement will be made by the Company if a definitive agreement in relation to the proposed investment in Beijing Yuande is reached or if it is lapsed.

Beijing Yuande is principally engaged in the development, manufacturing and sales of high intensity ultrasound medical equipment (“Ultrasound Equipment”) which is used for scanning and treating cancerous tumors. Beijing Yuande obtained the approval from SDA in 1999 and since then, has manufactured and sold Ultrasound Equipment to large hospitals across the PRC. The Board believes that the investment in Beijing Yuande will provide the Group with various synergies and is complementary to the Group’s existing business.

3 VAT REBATE

The Group's wholly owned PRC subsidiary, Beijing Jingjing Medical Equipment Company Limited ("BJ Limited"), received a preferential value added tax ("VAT") rebate notice issued by the tax bureau in July 2002. Pursuant to such VAT rebate notice, BJ Limited is entitled to a VAT rebate for the sales of its software embedded inside the Machines. On 7 December 2001, BJ Limited received a Software Product Registration Certificate (軟件產品登記證書) (the "Certificate"), which was valid for five years commencing from the date of issue. The rebate is calculated at 14% of the net selling price of the software, and is paid to BJ Limited when relevant VAT is paid to the tax bureau. The selling price of the embedded software varies from contracts to contracts and is assessed individually. The Directors consider that the overall selling price of the embedded software is around 50% to 60% of the average selling price of the Group's Machines. The Directors believe that this is beneficial to the Group's business and has a positive impact on the Group's overall profitability during the effective period of the VAT rebate notice. The VAT rebate notice will remain in force until the expiry of the Certificate or until 31 December 2010 if the Certificate is renewed upon its expiry up to such date.

4 PRODUCT LIABILITY

The Board is pleased to announce that with effect from August 2002, the Group's blood recovery system is covered under product liability insurance which is underwritten by one of the leading insurance companies in the PRC. The Directors believe that the adoption of product liability insurance will enhance the image of the blood recovery system, as the system has to pass strict safety requirements imposed by the insurance company.

PROSPECTS

The PRC is a market with tremendous growth potential. The rapid growth of the domestic economy has prompted greater health consciousness among the general public. The Board believes that the demand for fairly priced advanced medical equipment will continue to rise in the future which will help the Group sell its blood recovery system and other hi-tech medical equipment. In addition to the efforts by the Group's own research team, the Group will explore other investment opportunities which complement its existing businesses, and at the same time, provide satisfactory returns to shareholders. The Directors are confident that the Group is on track to achieving its long term goal of becoming a leading advanced medical equipment manufacturer in the PRC.

On behalf of the Board, I would like to thank the management and staff who contributed to this successful quarter through their hard work and continuing commitment.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 30 June 2002, according to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the Directors' interests in the shares of the Company were as follows:

Name of Directors	No. of shares held (Corporate Interest)
Mr. Kam Yuen (<i>note</i>)	238,800,000
Ms. Chau Mei Chun (<i>note</i>)	—
Mr. Leung Shi Wing (<i>note</i>)	—

Note: Mr. Kam Yuen, Ms. Chau Mei Chun and Mr. Leung Shi Wing are beneficially interested in 75 per cent, 6 per cent and 19 per cent respectively of the entire issued share capital of Bio Garden which held 238,800,000 shares of the Company as at 30 June 2002.

Save as disclosed above, as at 30 June 2002, none of the Directors, chief executives of the Company and their associates had any personal, family, corporate or other interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.41 to 5.59 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme was adopted by the shareholders at the Annual General Meeting held on 30 July 2002. The purpose of the scheme is to recognise the contributions of the executives and employees of the Group by granting share options to them as incentives or rewards. No share option has been granted since the adoption of the share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Director or chief executives or their respective spouses or children under eighteen years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, those persons having an interest of 10% or more of the Company's issued capital, as recorded in the register are required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares	Approximate percentage of issued shares
Bio Garden	238,800,000	57.5%

Save as disclosed above, as at 30 June 2002, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30 June 2002.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months ended 30 June 2002, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SPONSOR'S INTEREST

Pursuant to the sponsorship agreement entered into between ICEA Capital Limited (the "Sponsor") and the Company dated 18 December 2001, ICEA will receive a fee for acting as the Company's retained sponsor for the period from 28 December 2001 to 31 March 2004. The Sponsor receives additional financial advisory and documentation fees for acting as the Company's financial adviser in relation to certain transactions.

Save as disclosed above and to the best knowledge of the Sponsor, neither the Sponsor, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2002.

COMPETING INTERESTS

Neither the Directors nor the substantial shareholders of the Company had any interest in any business that directly or indirectly competes with the business of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Group's annual report and financial statements, half-yearly report and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises Mr. Gu Qiao and Mr. Gao Zongze. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial matters including the review of the unaudited consolidated income statement of the Group for the three months ended 30 June 2002.

By order of the Board

KAM YUEN

CHAIRMAN

HONG KONG, 13 August 2002