



FIRST QUARTERLY
REPORT

06/07



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)



Your life's blood
is our life's work

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

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The principal means of information dissemination on GEM is publication on the internet 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Golden Meditech Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CORPORATE INFORMATION

Executive Directors

Mr. KAM Yuen (*Chairman*)

Ms. JIN Lu

Mr. LU Tian Long

Ms. ZHENG Ting

Independent Non-executive Directors

Prof. CAO Gang

Mr. GAO Zong Ze

Prof. GU Qiao

Registered Office

Appleby Corporate Services (Cayman) Limited

P.O. Box 1350 GT

Clifton House

75 Fort Street, George Town

Grand Cayman, Cayman Islands

British West Indies

Head Office and Principal Place of Business in the PRC

Room 11, 7/F, Tower E1

Beijing Oriental Plaza

No. 1 East Chang An Ave.

Dong Cheng District

Beijing, 100738 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

Appleby Corporate Services (Cayman) Limited

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

Credit Suisse

CITIC Ka Wah Bank Limited

Bank of China (Hong Kong) Limited

Public Relations Consultants

A-World Consulting Limited

Website

www.goldenmeditech.com

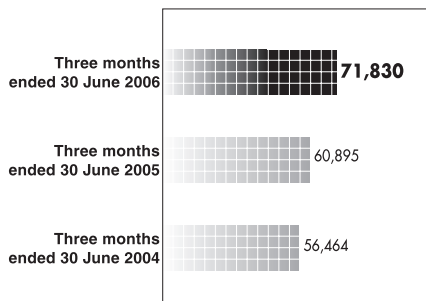
CORPORATE PROFILE

Golden Meditech Company Limited (“Golden Meditech”; stock code: 8180.HK) is a leading hi-tech integrated healthcare service provider in China. Its major business areas are 1) the research and development, manufacture and distribution of medical devices and personal healthcare products; 2) blood stem cell storage and applications; and 3) the research and development, manufacture and sale of Chinese herbal medicines. The Group’s mission is to create value for its shareholders while contributing to society through improving people’s health.

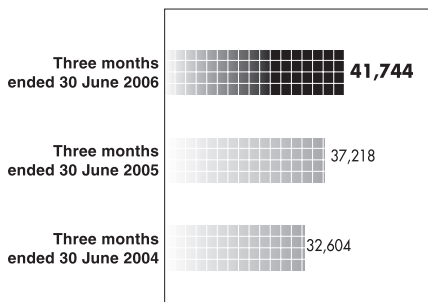
Golden Meditech has a strong commitment to expanding its businesses. Through research and development, expansion of its distribution network, and investment and acquisitions, the Group aims to become the world’s leading hi-tech integrated healthcare service provider.

PERFORMANCE HIGHLIGHTS

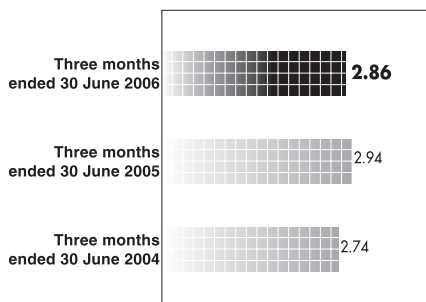
Turnover (HK\$'000)



Profit attributable to equity shareholders of the Company (HK\$'000)



Basic earnings per share (HK cents)



Notes:

1. New accounting policies on share-based payments and financial instruments were adopted in 2006 and 2005 and the figures for 2004 have not been restated to reflect the new accounting policies.
2. The basic earnings per share for 2004 has been restated for the 2004 Bonus Issue.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		For the three months	
		ended 30 June	
	<i>Note</i>	2006	2005
		HK\$'000	<i>HK\$'000</i>
			<i>(Restated)</i>
Turnover	2	71,830	60,895
Cost of sales		(26,871)	(17,291)
Gross profit		44,959	43,604
Other revenue	4	10,875	3,997
Selling expenses		(4,222)	(2,702)
Administrative expenses		(16,319)	(9,645)
Profit from operations		35,293	35,254
Finance costs		(2,826)	(3,098)
Share of profits of an associate		119	7,279
Share of profits of a jointly- controlled entity		13,177	—
Profit before taxation		45,763	39,435
Taxation	5	(3,083)	(2,540)
Profit for the period		42,680	36,895
Attributable to:			
Equity shareholders of the Company		41,744	37,218
Minority interests		936	(323)
		42,680	36,895
Earnings per share			
- Basic	7	2.86 cents	2.94 cents
- Diluted	7	2.77 cents	2.86 cents

The notes on pages 8 to 13 form part of the first quarterly results.

NOTES TO THE FIRST QUARTERLY RESULTS

1. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

All intra-group transactions and balances have been eliminated in preparing these results. The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2006.

2. Turnover

The Group is principally engaged in the manufacture and sale of the autologous blood recovery machines (“ABRS Machines”), and the disposable blood processing chambers and related accessories (“Disposable Chambers”), the provision of storage and accessory services of blood stem cells extracted from the umbilical cords of newborn babies (“Cord Blood Bank”), and development, manufacture and sale of proprietary Chinese herbal medicines.

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

Turnover recognised during the period may be analysed as follows:

	Unaudited For the three months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Sales of ABRS Machines	45,098	44,817
Sales of Disposable Chambers	11,767	10,259
Cord Blood Bank services	13,377	5,815
Sales of proprietary Chinese herbal medicines	1,588	4
	<hr/>	<hr/>
	71,830	60,895
	<hr/> <hr/>	<hr/> <hr/>

3. Segment information

(i) *Primary reporting format - business segments*

The Group comprises the following main business segments:

- Medical Device Segment - the development, manufacture and sale of medical devices;
- Cord Blood Bank Segment - the provision of blood stem cell storage facilities and accessory services; and
- Chinese Herbal Medicine Segment - the development, manufacture and sale of proprietary Chinese herbal medicines.

The following tables present turnover, expenditure and profit from operations information for the Group's business segments.

	Unaudited			
	For the three months ended			
	30 June 2006			
	<i>HK\$'000</i>			
	Medical Device Segment	Cord Blood Bank Segment	Chinese Herbal Medicine Segment	Consolidated
Turnover	<u>56,865</u>	<u>13,377</u>	<u>1,588</u>	<u>71,830</u>
Segment results	<u>38,562</u>	<u>5,627</u>	<u>(9,677)</u>	<u>34,512</u>
Unallocated income and costs				<u>781</u>
Profit from operations				35,293
Finance costs				(2,826)
Share of profits of an associate and a jointly-controlled entity	13,296	—	—	<u>13,296</u>
Profit before taxation				45,763
Taxation				(3,083)
Profit for the period				<u>42,680</u>
Attributable to:				
Equity shareholders of the Company				41,744
Minority interests				<u>936</u>
				<u>42,680</u>

3. Segment information (continued)

(i) Primary reporting format - business segments (continued)

	Unaudited For the three months ended 30 June 2005 HK\$'000				
	Medical Device Segment	Cord Blood Bank Segment	Chinese Herbal Medicine Segment	Tumour Treatment Division	Consolidated (Restated)
Turnover	55,076	5,815	4	—	60,895
Segment results	41,180	1,893	(2,396)	—	40,677
Unallocated income and costs					(5,423)
Profit from operations					35,254
Finance costs					(3,098)
Share of profits of associates	168	—	—	7,111	7,279
Profit before taxation					39,435
Taxation					(2,540)
Profit for the period					36,895
Attributable to:					
Equity shareholders of the Company					37,218
Minority interests					(323)
					36,895

(ii) Secondary reporting format - geographical segments

In view of the fact that the Group operates mainly in the People's Republic of China (the "PRC"), no geographical segment information is presented.

4. Other revenue

	Unaudited	
	For the three months	
	ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income	7,161	271
VAT refund (<i>Note</i>)	3,714	3,726
	<u>10,875</u>	<u>3,997</u>

Note:

Pursuant to the relevant PRC 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 for a period expiring in December 2006.

5. Taxation

Taxation charged to the consolidated income statement represents:

	Unaudited	
	For the three months	
	ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Current tax - Outside Hong Kong		
PRC income tax for the period	3,083	2,540
	<u>3,083</u>	<u>2,540</u>

5. Taxation (continued)

(i) PRC income tax

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

In accordance with the relevant tax rules and regulations in the PRC, one of the subsidiaries was fully exempted from PRC income tax until 31 December 2003. Thereafter, this subsidiary is entitled to a 50% reduction of PRC income tax, or 7.5%, for the next three years until 31 December 2006.

Another subsidiary of the Group was fully exempted from PRC income tax until 31 December 2005. Thereafter, this subsidiary is entitled to a 50% reduction of PRC income tax, or 7.5%, for the next three years until 31 December 2008.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the three months ended 30 June 2006 (2005: Nil) as the Group did not have any profits assessable to Hong Kong Profits Tax during the period.

6. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2006 (2005: Nil).

7. Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2006 is based on the unaudited profit attributable to equity shareholders of the Company of HK\$41,744,000 (2005: HK\$37,218,000) divided by the weighted average number of 1,459,578,204 (2005: 1,264,124,909) shares in issue during the period.

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 30 June 2006 is based on the unaudited profit attributable to equity shareholders of the Company of HK\$42,695,000 (2005: HK\$38,106,000) as adjusted for the interest on convertible bonds of HK\$951,000 (2005: HK\$888,000) divided by the weighted average number of 1,540,054,738 (2005: 1,332,977,675) shares in issue during the period after adjusting for the effect of all dilutive potential shares.

8. Reserves

Unaudited
Attributable to equity shareholders of the Company

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Surplus reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Fair value reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2006	450,039	54,193	28,028	44,677	14,722	513,587	823,131	1,928,377
Premium arising from the placing of shares	581,495	—	—	—	—	—	—	581,495
Share issuance expenses	(18,976)	—	—	—	—	—	—	(18,976)
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	(214,181)	—	(214,181)
Exchange differences	—	—	(855)	—	—	—	—	(855)
Equity-settled share-based transactions	—	—	—	—	934	—	—	934
Profit for the period	—	—	—	—	—	—	41,744	41,744
As at 30 June 2006	<u>1,012,558</u>	<u>54,193</u>	<u>27,173</u>	<u>44,677</u>	<u>15,656</u>	<u>299,406</u>	<u>864,875</u>	<u>2,318,538</u>
As at 1 April 2005	437,028	54,193	(1,287)	29,487	9,263	—	301,044	829,728
Exchange differences	—	—	151	—	—	—	—	151
Equity-settled share-based transactions	—	—	—	—	1,423	—	—	1,423
Profit for the period	—	—	—	—	—	—	37,218	37,218
As at 30 June 2005	<u>437,028</u>	<u>54,193</u>	<u>(1,136)</u>	<u>29,487</u>	<u>10,686</u>	<u>—</u>	<u>338,262</u>	<u>868,520</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

The Group made remarkable progress during the period under review, with encouraging results recorded across all operating units, in line with the management's expectation.

The Medical Device Segment continues to dominate its market. For the period under review, the Cord Blood Bank Segment continued to deliver outstanding results, reporting high double-digit growth for the eighth consecutive quarter. The revenue contribution of the Chinese Herbal Medicine Segment increased substantially compared to the previous quarter. Although this Segment's contribution was not significant enough to offset the amortisation of the development costs, we are confident that the demand for its TangHerb® product is huge, since it is so for the only proprietary Chinese medicine approved for AIDS treatment, and that the Segment will develop into a strong engine of growth, fuelling an overall increase in the Group's value.

The successful implementation of our expansion plans, the maximisation of our first-mover advantages, and the ability to capture emerging hi-tech medical business opportunities that have substantial growth potential, high entry barriers and synergy effects with the Group's core competences are the keys to our success. We will continue to use this proven strategy to promote the Group's long-term development and enhance returns for our shareholders.

Set out below are the financial highlights of the Group's operations for the period under review:

	2006 HK\$'000	2005 HK\$'000 (Restated)	Change %
Turnover			
Medical Device	56,865	55,076	3%
Cord Blood Bank	13,377	5,815	130%
Chinese Herbal Medicine	1,588	4	39,600%
	71,830	60,895	18%
Profit/(Loss) Contributions			
Medical Device	51,858	41,348	25%
Cord Blood Bank	5,627	1,893	197%
Tumour Treatment	—	7,111	N/A
Chinese Herbal Medicine	(9,677)	(2,396)	304%
	47,808	47,956	
Less: Unallocated income and costs	781	(5,423)	N/A
Finance costs	(2,826)	(3,098)	(9)%
Profit before taxation	45,763	39,435	16%

Turnover

For the three months ended 30 June 2006, the Group recorded a turnover of HK\$71,830,000, representing an increase of approximately 18% compared with the same period last year. Growth was recorded across all Segments, in line with the management's expectation. Revenue contributed by the Cord Blood Bank Segment increased 130% compared to the same period last year, accounting for 18.6% of the Group's total turnover. As a result of the Cord Blood Bank Segment's strong growth, the Medical Device Segment accounted for only 79.2% of the Group's total turnover this quarter.

Gross profit margin

The gross profit margins of both the Medical Device and Cord Blood Bank segments remained at a similar level to last year's. However, the start-up costs of the Chinese Herbal Medicine Segment temporarily lowered the Group's overall gross margin level to 62.6% for the period under review.

Selling and administrative expenses

Selling and administrative expenses amounted to HK\$20,541,000, and the increase was largely attributable to the increase in business activities across all operating units, together with the production start-up costs for the Chinese Herbal Medicine Segment's TangHerb® product. The Group will continue to adopt prudent cost control measures and continue to refine its cost structure through continuous monitoring.

Profit attributable to equity shareholders of the Company

Following the partial disposal of our interest in China Medical Technologies, Inc. ("CMED") in March 2006, we no longer recognise an earnings contribution from our Tumour Treatment Division. Nonetheless, the Group continued to maintain its earnings momentum, with profit attributable to equity shareholders amounting to HK\$41,744,000 during the quarter under review. On a pro forma basis (excluding the profit contribution from our Tumour Treatment Division), profit attributable to equity shareholders of the Company went up by 38.7%, compared to the corresponding period in 2005. The increase in our earnings was boosted by the organic growth across all operating units, the maiden profit contribution from our personal healthcare devices distribution network and an increase in interest income.

BUSINESS REVIEW

The Group has seen stellar growth in recent years as a result of business expansion, as well as the active development of its existing businesses. The Group continued to generate satisfactory returns for shareholders during the quarter. All business units are on track and dominate their own markets, and investors can expect significant and sustainable returns from them in the future.

The Medical Device Segment

The Medical Device Segment maintained its leading position in the industry in China during the period under review. It is primarily engaged in the development, manufacture, sale and distribution of medical devices and personal healthcare monitoring products. Our flagship product, the Autologous Blood Recovery System (“ABRS”), remains a best seller and we continue to utilise our first-mover advantage and to expand our market coverage in China.

During the quarter, the Segment’s turnover grew by 3.2% to HK\$56,865,000. The increasing popularity of our ABRS led to stable sales of Disposable Chambers, which increased by 14.7% compared to the same period last year.

To capture the personal healthcare market, we have completed the acquisition of a nationwide distributor of personal electronic goods. With the maiden profit contribution from the newly acquired business, the Medical Device Segment achieved an aggregate record profit of HK\$51,858,000, up 25.4% from the previous year.

The Group will continue to pursue its strategy of continuously expanding the ABRS market and simultaneously developing other products suitable for the China healthcare market. In the long run, we believe that this approach will generate significant and sustainable returns for the Group and our shareholders.

The Cord Blood Bank Segment

The Cord Blood Bank Segment provides separation, processing, examination and storage services for the umbilical cord blood stem cells of newborn babies. This business continues to perform exceptionally well, with turnover increasing by 130% to 13,377,000 and operating profit up by 197% to HK\$5,627,000, compared to the same period last year.

Factors such as the growing awareness of personal healthcare in China and the single-child policy have ensured a high growth momentum for the Segment. Customers are willing to pay for the best health protection for their children and, we believe, the widely anticipated breakthroughs in the medical applications of cord blood stem cells will help drive the future growth of this business.

The Group is committed to expanding our national presence in this field and we are confident that our development plan will further accelerate the growth and development of this Segment.

The Chinese Herbal Medicine Segment

The Chinese Herbal Medicine Segment is involved in the development and manufacture of natural herbal medicines. Its proprietary Chinese medicine, TangHerb®, is clinically proven to be effective in boosting the immune systems of AIDS sufferers. TangHerb® can help AIDS sufferers resume normal activity and make their own living, thereby reducing the financial burden on society and the government. China is strongly committed to combating AIDS and we believe TangHerb® is ideally suited to helping the government win the fight.

The sales of TangHerb® commenced in the March quarter 2006. Shipments to the government department as well as medical charity foundation involved in the fight against AIDS have already begun. Since TangHerb® is still in the early stages of commercialisation, the profit generated has not been sufficient to compensate for the amortisation of the development costs. However, we consider this situation to be temporary as we expect TangHerb® to grow in popularity, resulting in a continuous increase in output volume. We are confident that the future development and market potential of TangHerb® will ultimately generate significant returns for the Group.

The Tumour Treatment Division

Subsequent to the partial disposal of the Group's interest in CMED in March 2006, the Group currently holds 27,100,000 ordinary shares (equivalent to 9.9% of the issued share capital), and no longer equity accounts for the results of CMED.

Based on the latest market price available, the Group's holdings in CMED are worth more than US\$50 million. We are confident CMED will continue to perform well and intend to investigate alternative ways of optimising the value of this already successful investment and to reward our shareholders.

PROSPECTS

The Group will continue to expand prudently and select only hi-tech medical projects with significant growth potential, high entry barriers and the ability to create synergy effects with the Group's existing businesses. The remarkable returns generated by the Group's investment in CMED and the spectacular results of the Cord Blood Bank Segment are clear illustrations of how successful this development strategy has been.

Although all of the Group's businesses dominate their own markets, their full value has not yet been recognised. The management is therefore considering a number of options for development that will better reflect the intrinsic value of our operations.

We will also continue to actively develop our existing business areas, ensuring that they maintain their pre-eminent positions in the market as we strive towards our goal of becoming a leading global integrated healthcare service provider.

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

As at 30 June 2006, the interests and short positions of the Directors and chief executives 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 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 GEM Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Name of directors	Capacity and nature of interests	Number of ordinary shares of HK\$0.1 each Long position/(Short position)				Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of the Company's issued share capital
		Personal interests	Family interests	Corporate interests				
Mr. KAM Yuen	Interest of controlled corporation	—	—	433,916,000 ⁽¹⁾ (61,832,000) ⁽²⁾	—	433,916,000 (61,832,000)	28.38 (4.04)	
	Beneficial owner	—	—	—	63,206,245 ⁽³⁾	63,206,245	4.13	
Mr. LU Tian Long	Beneficial owner	—	—	—	400,000 ⁽³⁾	400,000	0.03	
Ms. ZHENG Ting	Beneficial owner	—	—	—	2,000,000 ⁽³⁾	2,000,000	0.13	

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 433,916,000 shares of the Company as at 30 June 2006.
- (2) Mr. KAM Yuen was deemed under the SFO to have a short position in the shares of the Company by virtue of his interest in Bio Garden.
- (3) 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 30 June 2006, none of the Directors or 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 which 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 set out in note 33 to the financial statements as included in the annual report of the Company for the year ended 31 March 2006.
2. A summary of movements of share options under the share option schemes of the Company for the three months ended 30 June 2006 is 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 2006	Number of underlying shares in respect of which share options were outstanding as at 30 June 2006	Exercise price HK\$
Mr. KAM Yuen	30 March 2005 ⁽¹⁾	63,206,245	63,206,245	1.76
Mr. LU Tian Long	4 March 2005 ⁽²⁾	400,000	400,000	1.60
Ms. ZHENG Ting	4 March 2005 ⁽²⁾	2,000,000	2,000,000	1.60
Full-time employees (other than directors)	4 March 2005 ⁽²⁾	11,970,000	11,970,000	1.60
		77,576,245	77,576,245	

Notes:

- (1) The share options are exercisable as to:
 - (i) up to 20% immediately after 6 months from the date of grant;
 - (ii) up to 60% immediately after 18 months from the date of grant;
 - (iii) up to 100% immediately after 30 months from the date of grant; and
 - (iv) the share options will expire at the close of business on 3 March 2015.
- (2) The share options are exercisable in full immediately after 3 months from the date of grant and will expire at the close of business on 28 February 2015.
- (3) No share options granted under the share option schemes adopted by the Company on 30 July 2002 and 30 March 2005 respectively were exercised, cancelled or lapsed during the period ended 30 June 2006.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes described above, at no time during the period under review 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 eighteen years of age, had been granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right during the period under review.

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

As at 30 June 2006, the interests of the shareholders (not being Directors or 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) Long position/(short position) of substantial shareholders

Name	Capacity and nature of interest	Number of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden ⁽¹⁾	Beneficial owner	433,916,000 (61,832,000)	28.38 (4.04)
Mr. Kent C. McCarthy ⁽²⁾	Interest of controlled corporation	229,434,735	15.01
Jayhawk China Fund (Cayman), Ltd. ⁽²⁾	Investment manager	217,742,735	14.24

Notes:

- (1) Bio Garden is an investment holding company incorporated in the BVI. Mr. KAM Yuen was the sole beneficial shareholder of the entire issued share capital of Bio Garden as at 30 June 2006.
- (2) The interests disclosed by Mr. Kent C. McCarthy include 217,742,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.

(ii) **Long position of other persons who are required to disclose their interests**

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
OZ Management, L.L.C.	Investment manager	113,000,000	7.39

Save as disclosed above, as at 30 June 2006, 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.

COMPETITION AND CONFLICT OF INTEREST

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 conflicts of interest with the Group.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with, or they were not aware of any non-compliance with, the required standards of dealings.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review the Company's annual report, interim report and quarterly reports, the Group's financial control, internal control and risk management systems and to provide advice and comments thereon to the Board.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited first quarterly report for the three months ended 30 June 2006.

By order of the Board

KAM Yuen

Chairman

HONG KONG, 11 August 2006

GLOSSARY

Terms used	Brief description
<i>General</i>	
Group	Golden Meditech Company Limited, together with its subsidiaries.
Company	Golden Meditech Company Limited.
PRC/China	The People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
Subsidiary	A company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.
Director(s)	The director(s) of the Company.
GEM	The Growth Enterprise Market operated by the Stock Exchange.
HK\$	The Hong Kong dollar, the currency of Hong Kong.
RMB	Renminbi, the currency of China.
SFDA	The State Food and Drug Administration of China.
Shares	Ordinary shares of HK\$0.10 each in the capital of the Company.
Stock Exchange	The Stock Exchange of Hong Kong Limited.

Medical Device Segment

Autologous Blood Recovery System	A hi-tech medical device that collects, filtrates, separates, cleanses, and re-infuses a patient's own blood lost during an accident or operation, replacing traditional blood transfusion. Its main components are the machine and the disposable chambers.
ABRS Machine	The machine of Autologous Blood Recovery System, including the models for hospital and outdoor use.
Disposable Chamber	The disposable blood processing chamber and related accessories. These are used once per operation for blood processing and recycling, and cannot be reused.

Cord Blood Bank Segment

Blood stem cells/ Haematopoietic stem cells	Haematopoietic stem cells, from which all haematopoietic and immune cell type are derived. They can develop into red blood cells, white blood cells and platelets, are self-regenerative and have a multi-differentiation and homing tendency (i.e. oriented migration to haematopoietic tissues or organs). They are found mainly in bone marrow, umbilical cord blood and peripheral blood.
Cord blood	The blood left in the umbilical cord and placenta after the umbilical cord of a newborn baby is clamped.
Cord blood bank	A professional medical institution offering extraction and banking services for cord blood haematopoietic stem cells and answering patients' enquiries on transplant matching.
Storage of blood stem cells	Cryopreserving, or preserving by freezing, blood stem cells in liquid nitrogen at -196°C for a long period of time.

Chinese Herbal Medicine Segment

TangHerb®	First proprietary Chinese herbal medicine approved by the SFDA to alleviate AIDS symptoms.
CD4 cell	Also called a T-cell, a key immune cell of the immune system.