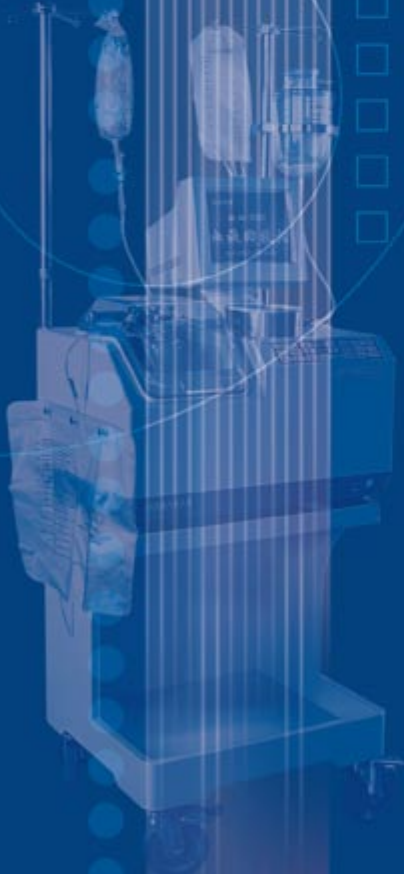




GOLDEN MEDITECH COMPANY LIMITED
金衛醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)



THIRD QUARTERLY REPORT
2001/2002



Computer aided design of the Disposable Chamber
電腦輔助設計一次性使用血液回收罐



ZITI-2000 ABRS
ZITI-2000 自體血液回收系統



Endorsement documents for the use of
ABRS issued by Six provincial MPH
六個省級衛生廳對 ZITI-2000 自體血液
回收系統的推薦文件

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 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 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 nine months ended 31 December 2001, the turnover of the Group amounted to approximately HK\$49,904,000, representing an increase of approximately five times as compared with the corresponding period in 2000.
- Profit attributable to shareholders for the nine months ended 31 December 2001 was approximately HK\$27,992,000, representing an increase of approximately thirteen times over the corresponding period in 2000.
- Earnings per share was HK9.3 cents for the nine months ended 31 December 2001, representing an increase of approximately thirteen times over the corresponding period in 2000.
- The Directors do not recommend an interim dividend for the nine months ended 31 December 2001.

CONSOLIDATED INCOME STATEMENT

The Directors of the Company is pleased to announce that the unaudited consolidated results for the three months and nine months ended 31 December 2001 of the Company and its subsidiaries (the "Group") and the unaudited comparative figures for the corresponding periods last year are set out below:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2001 Unaudited HK\$'000	2000 Unaudited HK\$'000	2001 Unaudited HK\$'000	2000 Unaudited HK\$'000
Turnover	2	14,082	5,362	49,904	7,782
Cost of sales		(3,877)	(1,590)	(13,717)	(2,409)
Gross profit		10,205	3,772	36,187	5,373
Other revenue		20	50	257	108
Selling expenses		(1,029)	(1,201)	(4,986)	(1,967)
Administrative expenses		(1,338)	(507)	(3,159)	(1,474)
Profit from operations		7,858	2,114	28,299	2,040
Finance costs		(26)	(64)	(307)	(64)
Profit from ordinary activities before taxation		7,832	2,050	27,992	1,976
Taxation	3	—	—	—	—
Profit attributable to shareholders		7,832	2,050	27,992	1,976
Earnings per share - Basic	5	2.6 cents	0.68 cent	9.3 cents	0.66 cent

Notes:

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 GEM, the Company became the ultimate holding company of the Group on 18 December 2001. The Company's shares have been listed on GEM since 28 December 2001.

The consolidated results have been prepared using the merger basis of accounting as a result of the Reorganisation completed on 18 December 2001. Under this basis, the Company is treated as if it has always been the holding company of its subsidiaries rather than the date of acquisition. Accordingly, the unaudited consolidated results of the Group for the three months and nine months ended 31 December 2001 and 2000 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation.

All intra-group transactions and balances have been eliminated in preparing the unaudited consolidated results.

The principal accounting policies adopted in preparing the unaudited consolidated results 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. The unaudited consolidated results also comply with the disclosure provisions of the Rules Governing the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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 invoiced value of goods sold, net of discounts and returns, allowances and sales tax, and may be analysed as follows:

	For three months ended 31 December 2001		For nine months ended 31 December 2001	
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of :				
Machines	12,661	3,899	44,128	5,425
Disposable Chambers	1,421	1,463	5,776	2,357
	<u>14,082</u>	<u>5,362</u>	<u>49,904</u>	<u>7,782</u>

3. **Taxation**

(i) *Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax has been made for the three months and nine months ended 31 December 2001 and 2000 as the Group has no assessable profits subject to Hong Kong Profits Tax for the relevant period.

(ii) *PRC income tax*

The PRC subsidiary is subject to PRC income tax, before relief or concession, at a rate of 15%. In accordance with relevant tax rules and regulations in the PRC, the subsidiary is exempt from PRC income tax for three years starting from its first year of operations and followed by a 50% relief on PRC income tax for the following three years. As 2000 is the subsidiary's first operating year, no provision for PRC income tax for year 2000 and 2001 has been made accordingly.

(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 nine months ended 31 December 2001 (2000: Nil).

5. **Earnings per share**

The calculation of the basic earnings per share is based on profit from ordinary activities attributable to shareholders for the three months and nine months ended 31 December 2001 of HK\$7,832,000 and HK\$27,992,000 respectively (three months and nine months ended 31 December 2000: HK\$2,050,000 and HK\$1,976,000 respectively) and the weighted average number of 304,347,826 and 301,454,545 ordinary shares respectively for the three months and nine months ended 31 December 2001 (2000: 300,000,000 ordinary shares for both periods) deemed to be in issue during the periods assuming 300,000,000 ordinary shares issued pursuant to the Reorganisation described in Note 1 had been outstanding throughout the three months and nine months ended 31 December 2001 and 2000 and on the assumption that the Reorganisation had been completed on 1 April 2000.

Diluted earnings per share is not presented as there were no diluted potential ordinary shares in existence for the nine months ended 31 December 2001 and 2000.

6. Reserves

	Share premium HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2001	—	242	5,452	5,694
Net profit for the six months ended 30 September 2001	—	—	20,160	20,160
Capitalisation of amounts due to shareholders	54,192	—	—	54,192
At 30 September 2001	54,192	242	25,612	80,046
Premium on issue of shares	54,969	—	—	54,969
Capitalisation of share premium	(29,998)	—	—	(29,998)
Net profit for the three months ended 31 December 2001	—	—	7,832	7,832
At 31 December 2001	<u>79,163</u>	<u>242</u>	<u>33,444</u>	<u>112,849</u>
At 1 April 2000	—	—	(147)	(147)
Net loss for the six months ended 30 September 2000	—	—	(74)	(74)
At 30 September 2000	—	—	(221)	(221)
Net profit for the three months ended 31 December 2000	—	—	2,050	2,050
At 31 December 2000	<u>—</u>	<u>—</u>	<u>1,829</u>	<u>1,829</u>

BUSINESS REVIEW AND PROSPECTS

LISTED ON THE GEM OF THE STOCK EXCHANGE

The Company was successfully listed on the GEM of the Stock Exchange on 28 December 2001. The Company has raised HK\$88,000,000 from the placing of its shares (the "Placing") at HK\$0.88 per share. It represented 25% of the Company's issued share capital following the completion of the Placing.

On 14 January 2002, ICEA Capital Limited("ICEA") (on behalf of the underwriters) notified the Company of its exercise of the Over-allotment Option to allot and issue additional 15,000,000 shares at HK\$0.88 per share and the additional shares were issued on the same day.

BUSINESS REVIEW

For the nine months ended 31 December 2001, the turnover of the Group has risen to HK\$49,904,000, representing a growth of approximately five times compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$27,992,000, representing an increase of about thirteen times over the corresponding period last year.

For the three months ended 31 December 2001, the turnover of the Group has risen to HK\$14,082,000, representing a growth of approximately two times compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$7,832,000, representing an increase of about three times over the corresponding period last year.

This rapid growth in turnover signified the growing acceptance of the Group's products in the PRC. With the concern over the spread of transfusion related diseases during homologous blood transfusion in the PRC, the Company has attracted a number of potential customers to adopt the use of our products during surgical operations. The Group has confidence that autologous blood recovery system will become commonly adopted by hospitals, and anticipates significant increase in turnover in the coming years.

As a result of economy of scale, the Group's overall gross profit margins has improved to 72% for the nine months ended 31 December 2001.

TEMPORARY SUSPENSION OF BUSINESS IN NOVEMBER 2001

As disclosed in the Prospectus of the Company dated 19 December 2001, the Group obtained the Permit for Medical Device Manufacturing Enterprise (the "Permit") (醫療器械生產企業許可證) from the Beijing City Drug Administration on 31 October 2001 as an extension of the Permit of Beijing Jingjing Medical Equipment Company which was the predecessor of the Group. Following the issuance of the Permit, the Group applied to the State Drug Administration of the PRC (中華人民共和國國家藥品監督管理局) for the Registration Certificate for Medical Device (the "Certificate") (醫療器註冊證) for the manufacture and sale of Category 3 Medical Equipment, and such Certificate was granted on 29 November 2001. As the Group may only manufacture and sell the ZITI-2000 autologous blood recovery system in its own name after it has obtained both the Permit and the Certificate, the Group temporarily suspended its manufacturing or sales operations during the period from 31 October to 29 November 2001. Such suspension slowed down its revenue growth for the three months ended 31 December 2001. From 29 November 2001 onwards, the production and sales operation of the Group have resumed to normal.

PRODUCTION

In view of the growing demand of the Group's products, the current production capacity is unable to meet the future production requirement. The new production facility ("New Plant"), which accommodates a highly purified workshop and related facilities, is located in Beijing Economic-Technological Development Area in Beijing. The New Plant has been under construction since July 2001 and is on schedule to be completed in the early 2002. The Group plans to install semi-automated assembly and production lines to bring the annual production capacity to 5,000 and 300,000 units of Machines and Disposable Chambers respectively.

SALES CHANNEL

In order to penetrate the PRC market quickly, and capture the largest possible market share, the Group has secured 27 independent distributors as at 31 December 2001 to target large hospitals across the PRC, in addition to the use of its existing sales forces. These local distributors, who are usually dominant medicine and medical equipment distributors, have better connection with hospitals and a strong distributing power. The products are sold to these distributors at a discount to the recommended market selling prices.

RESEARCH AND DEVELOPMENT

The research team is headed by Professor Zhang Mingli and has grown to 9 members as at 31 December 2001.

As at 31 December 2001, the Group has the following products under development:

- 1 A portable autologous blood recovery system ("Portable ABRS");
- 2 A blood component extraction system; and
- 3 A whole blood protein recovery system.

The Group expects that the research and development of the Portable ABRS will reach its final stage in early 2002, with the prototype to be produced in the first half this year. The other projects are still in preliminary stage, and are scheduled to reach the final stage by September 2003.

Apart from the Group's own research efforts, the Group wishes to form strategic partnerships with research institutes to enhance its capability in producing and developing reliable and technologically advanced medical equipment to its customers. So far, the Group has entered into a research co-operation agreement with Blood Transfusion Institute of the Military Medical Science University (the "Institute") (軍事醫學科學院野戰輸血研究所) to develop (1) blood purification and, (2) blood preservation techniques. In return for the exclusive use of the research findings carried out by the Institute, the Group has agreed to allocate 15% to 20% of net profits generated from the commercial applications of these potential products back to the Institute.

USE OF PROCEEDS

Subsequent to the listing of the Company's shares on GEM, the Company has injected approximately HK\$31,516,000 from the proceeds into Beijing Jingjing Medical Equipment Limited ("Beijing JingJing"), the sole operating subsidiary in PRC, to pay up any unpaid balance of the registered capital of the subsidiary in the early of January 2002. The Company has obtained capital verification report and is currently in the process of obtaining revised business licence. An announcement with respect to capital injection in Beijing JingJing would be issued upon completion of such registration.

Net proceeds from the initial public offering of the Company will be applied in such manner as disclosed in the Prospectus of the Company dated 19 December 2001.

PROSPECTS

The Group is a technologically advanced company specialising in blood-related treatments in the PRC, and is committed to generating growing returns for its shareholders. The Group's objective is to become a market leader in the blood-related industry. With concerns over the safety on homologous blood transfusion in the PRC, the prospects of our products are very promising. The Board of Directors believes that the Group will show substantial growth based on existing products in the coming years, notwithstanding the fact that the Group has three promising projects which have yet come to fruition.

On behalf of the Board, I would like to extend my sincere gratitude towards all shareholders who provide support to us and towards our dedicated and hardworking staff. The Group will leverage on the innovation and dedication of all staff and continue to develop new products in order to maximise returns for shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 December 2001, 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 1</i>)	238,800,000
Ms. Chau Mei Chun (<i>note 1</i>)	238,800,000
Mr. Leung Shi Wing (<i>note 1</i>)	238,800,000

Notes:

- 1 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 of the entire issued share capital of Bio Garden Inc. ("Bio Garden") which holds 238,800,000 Ordinary shares of the Company as at 31 December 2001.
- 2 Pursuant to a Securities Borrowing and Lending Deed (the "Deed") entered into between ICEA and Bio Garden dated 18 December 2001, an aggregate of 15,000,000 Ordinary shares were lent by Bio Garden to ICEA for the sole purpose of covering over-allocations in connection with the Placing of 100,000,000 Ordinary shares on 27 December 2001. On 14 January 2002, ICEA notified the Company of its exercise of the Over-allotment Option and requested the Company to allot and issue the 15,000,000 shares at HK\$0.88 per share to Bio Garden for returning to Bio Garden the 15,000,000 shares borrowed from Bio Garden under the Deed.

Save as disclosed above, as at 31 December 2001, none of the Directors or chief executive or their associates of the Company 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, 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	59.70%

Save as disclosed above, as at 31 December 2001, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31 December 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company and subsidiaries a party to any arrangement to enable the directors 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 debentures of the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 31 December 2001, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SPONSOR'S INTEREST

To the best knowledge of the Company's sponsor, ICEA, its directors, employees or associates, did not have 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 31 December 2001.

Pursuant to the sponsorship agreement entered into between ICEA and the Company dated 18 December 2001, ICEA has been appointed as sponsor of the Company for the remainder of the financial year ending 31 March 2002 and two years thereafter.

COMPETING INTERESTS

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

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 accounts, half-yearly report and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be 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 results of the Group for the three months and nine months ended 31 December 2001 and 2000.

By order of the Board

KAM YUEN

CHAIRMAN

HONG KONG, 5 February 2002