



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

(incorporated in the Cayman Islands with limited liability)



Third Quarterly Report 2002/2003

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This report, 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 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.

HIGHLIGHTS

- For the nine months ended 31 December 2002, the turnover of the Group amounted to approximately HK\$91,508,000, representing a significant increase of approximately 83% compared with the corresponding period in 2001.
- Profit attributable to shareholders for the nine months ended 31 December 2002 was approximately HK\$50,923,000, representing a significant increase of approximately 82% over the corresponding period in 2001. Profit for the period was boosted by a VAT rebate of around HK\$6,566,000.
- Earnings per share was HK11.2 cents for the nine months ended 31 December 2002, representing an increase of approximately 20% over the corresponding period in 2001.
- The Group sold 754 sets of Machines and 16,580 units of Disposable Chambers for the nine months ended 31 December 2002.
- The Board of Directors does not recommend an interim dividend for the nine months ended 31 December 2002.

CONSOLIDATED INCOME STATEMENT

The directors (the “Directors”) of the Golden Meditech Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2002 as follows:

		Unaudited		Unaudited	
		Three months ended		Nine months ended	
		31 December		31 December	
		2002	2001	2002	2001
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	37,570	14,082	91,508	49,904
Cost of sales		(12,521)	(3,877)	(27,782)	(13,717)
Gross profit		25,049	10,205	63,726	36,187
Other revenue	3	6,857	20	7,315	257
Selling expenses		(1,336)	(1,029)	(3,857)	(4,986)
Administrative expenses		(7,111)	(1,338)	(16,261)	(3,159)
Profit from operations		23,459	7,858	50,923	28,299
Finance cost		—	(26)	—	(307)
Profit from ordinary activities before taxation		23,459	7,832	50,923	27,992
Taxation	4	—	—	—	—
Profit attributable to shareholders		23,459	7,832	50,923	27,992
Earnings per share - Basic	6	4.8 cents	2.6 cents	11.2 cents	9.3 cents

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 the Growth Enterprise Market ("GEM"), the Company became the holding company of the Group on 18 December 2001. The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting.

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 2002/03 third quarterly report also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Turnover

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

Turnover represents the amounts received and receivable for goods sold to customers, less returns, allowances, valued added taxes ("VAT") and other sales taxes and may be analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of :				
Machines	33,878	12,661	83,350	44,128
Disposable Chambers	3,692	1,421	8,158	5,776
	37,570	14,082	91,508	49,904

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 has been provided.

3. Other revenue

	Unaudited		Unaudited	
	Three months ended 31 December		Nine months ended 31 December	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
VAT rebate (<i>note</i>)	6,566	—	6,566	—
Interest income	291	20	749	257
	<u>6,857</u>	<u>20</u>	<u>7,315</u>	<u>257</u>

Note: Beijing Jingjing Medical Equipment Company Limited (“BJ Limited”), the Company’s wholly-owned subsidiary in the PRC, received a preferential VAT rebate notice issued by the tax bureau in the PRC in July 2002. Pursuant to the VAT rebate notice, BJ Limited is entitled to VAT rebate on sales of the software embedded inside the Machines for an initial period until 7 December 2006. The duration of the VAT rebate concession could be extended to 31 December 2010 upon the renewal of the software product registration certificate of BJ Limited. The Group could apply the VAT rebate in accordance with the relevant PRC rules and regulations.

4. Taxation

(i) *Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax has been made for the nine months ended 31 December 2002 and 2001 as the Group did not have assessable profits subject to Hong Kong Profits Tax during the period.

(ii) *PRC income tax*

The PRC subsidiary is subject to PRC income tax at a reduced rate of 15%. In accordance with relevant tax rules and regulations in the PRC, the subsidiary is exempt from PRC income tax for the nine months ended 31 December 2002 and 2001.

(iii) *Deferred taxation*

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

5. Dividends

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 December 2002 (2001: Nil).

6. Earnings per share

(a) Basic earnings per share

The calculation of the basic earnings per share for the three months and nine months ended 31 December 2002 is based on profit from ordinary activities attributable to shareholders of HK\$23,459,000 and HK\$50,923,000 respectively (three months and nine months ended 31 December 2001: HK\$7,832,000 and HK\$27,992,000 respectively) divided by the weighted average number of 485,000,000 and 455,727,273 ordinary shares respectively (three months and nine months ended 31 December 2001: 304,347,826 and 301,454,545 ordinary shares respectively) in issue during the periods.

(b) Diluted earnings per share

Diluted earnings per share is not presented as there were no potentially dilutive securities in issue during the periods.

7. Reserves

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2002	162,521	54,193	(103)	—	74,751	291,362
Net profit for the three months ended 31 December 2002	—	—	—	—	23,459	23,459
Transfer to general reserve fund	—	—	—	6,107	(6,107)	—
At 31 December 2002	<u>162,521</u>	<u>54,193</u>	<u>(103)</u>	<u>6,107</u>	<u>92,103</u>	<u>314,821</u>
At 1 April 2001	—	—	—	—	5,694	5,694
Net profit for the nine months ended 31 December 2001	—	—	—	—	27,992	27,992
Capitalisation of amounts due to shareholders	—	54,193	—	—	—	54,193
Premium arising from the placing of shares	78,000	—	—	—	—	78,000
Share issuance expenses	(23,031)	—	—	—	—	(23,031)
Capitalisation of share premium	(29,998)	—	—	—	—	(29,998)
At 31 December 2001	<u>24,971</u>	<u>54,193</u>	<u>—</u>	<u>—</u>	<u>33,686</u>	<u>112,850</u>

BUSINESS REVIEW AND PROSPECTS

FINANCIAL REVIEW

For the nine months ended 31 December 2002, the turnover of the Group has risen to HK\$91,508,000, representing a substantial growth of approximately 83% compared with the corresponding period last year. Profit attributable to shareholders for the nine months ended 31 December 2002 amounted to HK\$50,923,000 representing a significant increase of about 82% over the corresponding period last year. The results of the three months ended 31 December 2002 was boosted by a VAT rebate of around HK\$6,566,000. In July 2002, the Group received a preferential VAT rebate notice that the Group is entitled to VAT rebate on sales of the software embedded inside the Machines. The VAT rebate is paid to the Group upon full settlement of VAT by the Group. In accordance with the relevant PRC regulations, the VAT rebate notice will remain effective until 7 December 2006. The VAT rebate notice can be further extended to 31 December 2010 upon the renewal of the software product registration certificate.

The Group's core business recorded strong growth during the period under review. During the period, the Group has signed up a number of hospitals across the PRC to adopt the use of its autologous blood recovery system ("ABRS"). With the concern over the spread of transfusion related diseases in the PRC, the Board is confident that the pace of the revenue growth is sustainable in the foreseeable future.

As a result of the opening of the new production base located in Beijing Economic-Technological Development Area in October 2002, the gross profit margins for the three months ended 31 December 2002 dropped slightly to 66%. However, the Board believes that the gross profit margin will improve upon the increase in the production volume.

OPERATION REVIEW

The new production facilities have been in operation since October 2002. Machines and Disposable Chambers are now manufactured at the new production base. The former production facilities, which were previously let under operating leases, have been surrendered to the landlords pursuant to the terms of such leases.

The new production base has boosted the Group's production capacity approximately five fold as compared to the old production facilities. The management believes that the increased production capacity is adequate to meet the expected increase in sales orders in the next two to three years. Besides, the new production base has vacant floor areas for further expansion, if necessary. In the meantime, the management is considering to lease out surplus space to generate additional income for the Group.

The Board is pleased to announce that the Portable ABRS was approved by the State Drug Administration Bureau in December 2002. The Group has since been in talks with several potential customers on sales of the Portable ABRS, and expect to receive sales orders in early 2003. The management is confident that the Portable ABRS will make a significant contribution to the Group's revenue and profitability for the next few years.

In addition, the Group's other research projects have made satisfactory progress during the period under review. The management believes that these projects are on schedule to reach final stages of development either this or next year.

MATERIAL INVESTMENT

The Group is on track to complete the investment in Beijing Yuande Biological Medical Engineering Limited (“Beijing Yuande”) with the co-investor. The cost of the investment in Beijing Yuande is funded by the proceeds from the placement of 70 million shares in July 2002.

Beijing Yuande is engaged in manufacture and sales of highly sophisticated medical equipment in the PRC market. The Board believes that the investment in Beijing Yuande will provide the Group with various synergies, complementary to its existing business, and will have immediate contribution to the Group’s overall profitability.

The Board believes that it is encouraging evidence of the Group’s strong distribution network and growing brand reputation in the PRC which contributed to the Group having received enquiries from other medical equipment manufacturers for possible collaborations to explore the PRC market. Save for the Beijing Yuande investment, none of these discussions are in final stage and the Group has not reached any agreement for other material investments.

PROSPECTS

The PRC’s medical sector is a market with tremendous growth potential. With improved living and educational standards, the general public has become more health conscious, and demands better health care. This creates plenty of opportunities for companies like us to explore the market. With the Group’s strong management team and its research and development capabilities, the Group is well-positioned to capture suitable business opportunities. The Group will continue to invest in projects which are in line with or complementary to our business objectives with a view to enhancing the Group’s profitability and shareholders’ returns.

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 dedicated commitment. The Group will leverage on the innovation and dedication of all staff to bring long-term sustainable benefits to all its shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 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 Inc. ("Bio Garden") which held 238,800,000 ordinary shares of the Company as at 31 December 2002.

Save as disclosed above, as at 31 December 2002, (i) none of the Directors, chief executives of the Company and their respective 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, (ii) none of the Directors, chief executives of the Company and their respective spouses or children under eighteen years of age has been granted or exercised any right to subscribe for securities of the Company, 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

No share option has been granted under the share option scheme of the Group adopted by the Company in general meeting on 30 July 2002 during the period under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme described above, at no time during the period was the Company or its subsidiaries a party to any arrangement 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 of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, those persons other than the Directors and chief executives of the Company having an interest of 10% or more of the Company's issued share 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	49.2%

Save as disclosed above, as at 31 December 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 31 December 2002.

SPONSOR'S INTEREST

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

According to the notification from the Sponsor, as at 31 December 2002, an associate of the Sponsor held 3,988,000 shares of the Company, representing approximately 0.8% of the issued share capital of the Company.

Save as disclosed above and to the best knowledge of the Sponsor, none of the Sponsor, its directors, employees and associates had any interests in the securities of the Company or any other member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any other member of the Group as at 31 December 2002.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the period under review.

COMPETING INTERESTS

None of the Directors, the management shareholders and their respective associates had any interest in any business that directly or indirectly competes with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the nine months ended 31 December 2002, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares.

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 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 results of the Group for the nine months ended 31 December 2002.

By order of the Board
KAM YUEN
CHAIRMAN

HONG KONG, 14 February 2003