



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8180)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**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.**

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*This announcement, for which the directors (“Directors”) of Golden Meditech Company Limited (“Company” or “Golden Meditech”) 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 announcement 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 announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
<b>Turnover</b>	3 & 4	<b>341,074</b>	280,578
Cost of sales		<b>(130,584)</b>	(92,441)
<b>Gross profit</b>		<b>210,490</b>	188,137
Other revenue	5	<b>45,277</b>	22,166
Other net income/(loss)	6	<b>73,014</b>	(115)
Selling expenses		<b>(18,041)</b>	(13,954)
Administrative expenses		<b>(87,902)</b>	(98,829)
<b>Profit from operations</b>		<b>222,838</b>	97,405
Finance costs	7(a)	<b>(10,817)</b>	(12,431)
Gain on deemed disposal of an associate		—	116,571
Gain on partial disposal of an associate		—	322,218
Share of profits less losses of associates		<b>1,497</b>	39,975
Share of profits of jointly controlled entities		<b>34,100</b>	—
<b>Profit before taxation</b>	7	<b>247,618</b>	563,738
Income tax	8(a)	<b>(16,967)</b>	(2,466)
<b>Profit for the year</b>		<b>230,651</b>	561,272
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>223,365</b>	563,824
Minority interests		<b>7,286</b>	(2,552)
<b>Profit for the year</b>		<b>230,651</b>	561,272
<b>Final dividend proposed after the balance sheet date</b>	9	<b>47,189</b>	—
<b>Earnings per share</b>	10		
Basic (in cents)		<b>14.8</b>	44.5
Diluted (in cents)		<b>14.2</b>	42.7

## CONSOLIDATED BALANCE SHEET

at 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007		2006	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Fixed assets					
– Property, plant and equipment			267,838		298,813
– Interest in leasehold land held for own use under operating leases			5,293		4,811
			273,131		303,624
Intangible assets			516,581		523,845
Goodwill			74,450		74,450
Interests in associates			33,345		30,395
Interests in jointly controlled entities			504,509		—
Available-for-sale equity securities			561,936		635,304
Non-current trade receivables			11,824		6,212
Non-current prepayments	11		65,183		55,104
Deferred tax assets			8,652		9,397
			2,049,611		1,638,331
<b>Current assets</b>					
Trading securities			6,417		580
Inventories			35,760		32,887
Trade receivables	12		166,544		138,599
Other receivables, deposits and prepayments	13		97,480		23,033
Loan receivables			—		211,717
Cash and bank balances			688,226		481,666
			994,427		888,482
<b>Current liabilities</b>					
Trade payables	14		31,399		46,076
Other payables and accruals			37,216		110,536
Bank loans			110,122		37,913
Current taxation			5,637		3,264
Convertible bonds			98,836		—
			283,210		197,789
<b>Net current assets</b>			<b>711,217</b>		<b>690,693</b>
<b>Total assets less current liabilities</b>			<b>2,760,828</b>		<b>2,329,024</b>

## CONSOLIDATED BALANCE SHEET (Continued)

at 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007		2006	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current liabilities</b>					
Deferred income		35,161		14,833	
Other non-current liabilities		3,160		—	
Government grant		202		193	
Bank loans		—		96,674	
Convertible bonds		—		112,277	
			38,523		223,977
<b>NET ASSETS</b>			<b>2,722,305</b>		<b>2,105,047</b>
<b>CAPITAL AND RESERVES</b>					
Share capital			152,222		127,621
Reserves			2,407,932		1,928,377
<b>Total equity attributable to equity shareholders of the Company</b>			<b>2,560,154</b>		<b>2,055,998</b>
Minority interests			162,151		49,049
<b>TOTAL EQUITY</b>			<b>2,722,305</b>		<b>2,105,047</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2006	127,621	450,039	—	14,722	54,193	28,028	44,677	513,587	—	823,131	2,055,998	49,049	2,105,047
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	—	(138,708)	—	—	(138,708)	—	(138,708)
Exchange differences on translation of financial statements of companies outside Hong Kong	—	—	—	—	—	70,284	—	—	—	—	70,284	2,514	72,798
Net income/(expense) recognised directly in equity	—	—	—	—	—	70,284	—	(138,708)	—	—	(68,424)	2,514	(65,910)
Transfer to profit or loss on disposal of available-for-sale equity securities	—	—	—	—	—	—	—	(52,828)	—	—	(52,828)	—	(52,828)
Profit for the year	—	—	—	—	—	—	—	—	—	223,365	223,365	7,286	230,651
Total recognised income and expense for the year	—	—	—	—	—	70,284	—	(191,536)	—	223,365	102,113	9,800	111,913
Movements in equity arising from capital transactions:													
Equity-settled share-based transactions	—	—	—	3,645	—	—	—	—	—	—	3,645	682	4,327
Issue of shares	25,282	562,306	—	—	—	—	—	—	—	—	587,588	—	587,588
Capital contribution to a subsidiary	—	—	—	—	—	—	—	—	(29,731)	—	(29,731)	29,731	—
Acquisition of minority interests	—	—	—	—	—	—	—	—	(207,516)	—	(207,516)	(16,496)	(224,012)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	63,249	—	63,249	89,385	152,634
Shares repurchased and cancelled	(1,523)	(29,545)	1,523	—	—	—	—	—	—	(1,523)	(31,068)	—	(31,068)
Issue of shares upon conversion of convertible bonds	842	16,113	—	(1,079)	—	—	—	—	—	—	15,876	—	15,876
Transfer to surplus reserve	—	—	—	—	—	—	16,556	—	—	(16,556)	—	—	—
	24,601	548,874	1,523	2,566	—	—	16,556	—	(173,998)	(18,079)	402,043	103,302	505,345
At 31 March 2007	152,222	998,913	1,523	17,288	54,193	98,312	61,233	322,051	(173,998)	1,028,417	2,560,154	162,151	2,722,305

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31 March 2007

(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company												Total equity \$'000
	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Merger reserve \$'000	Exchange reserve \$'000	Surplus reserve \$'000	Fair value reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	
At 1 April 2005													
- as previously reported	126,413	433,469	—	—	54,193	(1,287)	29,487	—	—	307,035	949,310	50,343	999,653
- prior period adjustments													
in respect of:													
- HKFRS 2	—	3,559	—	905	—	—	—	—	—	(4,464)	—	—	—
- HKAS 32	—	—	—	8,358	—	—	—	—	—	(1,527)	6,831	—	6,831
- as restated	126,413	437,028	—	9,263	54,193	(1,287)	29,487	—	—	301,044	956,141	50,343	1,006,484
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	—	513,587	—	—	513,587	—	513,587
Exchange differences on translation of financial statements of companies outside Hong Kong	—	—	—	—	—	29,315	—	—	—	—	29,315	1,258	30,573
Net income recognised directly in equity	—	—	—	—	—	29,315	—	513,587	—	—	542,902	1,258	544,160
Profit/(loss) for the year	—	—	—	—	—	—	—	—	—	563,824	563,824	(2,552)	561,272
Total recognised income and expense for the year	—	—	—	—	—	29,315	—	513,587	—	563,824	1,106,726	(1,294)	1,105,432
Dividend approved in respect of the previous year	9	—	—	—	—	—	—	—	—	(26,547)	(26,547)	—	(26,547)
Movements in equity arising from capital transactions:													
Equity-settled share-based transactions	—	—	—	6,489	—	—	—	—	—	—	6,489	—	6,489
Shares issued under share option scheme	588	3,284	—	(491)	—	—	—	—	—	—	3,381	—	3,381
Issue of shares upon conversion of convertible bonds	421	7,579	—	(539)	—	—	—	—	—	—	7,461	—	7,461
Issue of shares for scrip dividend	199	2,148	—	—	—	—	—	—	—	—	2,347	—	2,347
Transfer to surplus reserve	—	—	—	—	—	—	15,190	—	—	(15,190)	—	—	—
	1,208	13,011	—	5,459	—	—	15,190	—	—	(15,190)	19,678	—	19,678
At 31 March 2006	127,621	450,039	—	14,722	54,193	28,028	44,677	513,587	—	823,131	2,055,998	49,049	2,105,047

## **NOTES**

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### **1 STATEMENT OF COMPLIANCE**

The financial information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31 March 2007 but is derived from those financial statements.

### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The accounting policies and methods of computation used in preparing the financial information are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 March 2006.

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries and the Group’s interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and trading securities are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of autologous blood recovery machines ("ABRS Machines") and disposable blood processing chambers and related accessories ("Disposable Chambers"), provision of examination, processing, separation and storage services and application-related services for blood stem cells ("Cord Blood Bank"), and research and development, manufacture and sale of proprietary Chinese medicines.

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

Turnover recognised during the year is analysed as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Sales of ABRS Machines	<b>216,765</b>	201,960
Sales of Disposable Chambers	<b>50,427</b>	44,351
Cord Blood Bank services	<b>63,942</b>	33,989
Sales of Chinese Herbal Medicine	<b>9,940</b>	278
	<b>341,074</b>	280,578



## 4 SEGMENT REPORTING

### Business segments

The Group comprises the following main business segments:

- (i) Medical Device Segment: the development, manufacture and sale of medical devices including ABRS Machines and Disposable Chambers.
- (ii) Cord Blood Bank Segment: the provision of blood stem cells examination, processing, separation and storage services and application-related services.
- (iii) Chinese Herbal Medicine Segment: the research and development, manufacture and sale of proprietary Chinese medicines.

	Medical Device		Cord Blood Bank		Chinese Herbal Medicine		Inter-segment elimination		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers	267,192	246,311	63,942	33,989	9,940	278	—	—	341,074	280,578
Segment result	190,727	187,532	25,142	113	(32,935)	(26,053)	—	—	182,934	161,592
Unallocated operating income and expenses									39,904	374,602
Finance costs									(10,817)	(12,431)
Share of profits less losses of associates and jointly controlled entities									35,597	39,975
Income tax									(16,967)	(2,466)
Profit after taxation									230,651	561,272
Depreciation and amortisation for the year	10,027	9,258	5,183	4,808	34,272	18,840	—	—	49,482	32,906
Unallocated depreciation and amortisation for the year									200	20
Total depreciation and amortisation for the year									49,682	32,926
Impairment loss on trade and other receivables	—	—	1,031	1,156	—	—	—	—	1,031	1,156
Write-back of impairment loss on trade and other receivables	—	(9,574)	—	—	—	—	—	—	—	(9,574)
Impairment loss on construction in progress	—	—	—	11,185	—	—	—	—	—	11,185
Segment assets	728,507	769,327	490,487	222,425	542,412	525,452	(99,022)	(45,473)	1,662,384	1,471,731
Interests in associates									33,345	30,395
Interests in jointly controlled entities									504,509	—
Unallocated assets									843,800	1,024,687
Total assets									3,044,038	2,526,813
Segment liabilities	39,679	51,069	49,696	32,583	105,414	84,215	(99,022)	(45,473)	95,767	122,394
Unallocated liabilities									225,966	299,372
Total liabilities									321,733	421,766
Capital expenditure	3,152	3,362	2,032	3,317	6,432	4,882	—	—	11,616	11,561
Unallocated capital expenditure									4,487	10
Total capital expenditure									16,103	11,571

The Group's turnover and operating profit derived from activities outside the People's Republic of China ("PRC") are insignificant. Therefore, no analysis by geographical segment is provided.

## 5 OTHER REVENUE

	2007 \$'000	2006 \$'000
Interest income	26,868	2,580
VAT refund	17,837	16,485
Government grants	572	2,711
Sundry income	—	390
	<b>45,277</b>	22,166

Pursuant to the relevant government policies and approval documents from the local government authorities, 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.

## 6 OTHER NET INCOME/(LOSS)

	2007 \$'000	2006 \$'000
Available-for-sale equity securities: transfer from equity on disposal	52,828	—
Net realised and unrealised gain on trading securities	20,135	—
Gain/(loss) on disposal of property, plant and equipment	74	(42)
Exchange gain	55	—
Others	(78)	(73)
	<b>73,014</b>	(115)

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2007 \$'000	2006 \$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	6,867	8,418
Interest on convertible bonds	3,557	3,802
Other borrowing costs	393	211
	<b>10,817</b>	12,431
(b) Staff costs#:		
Salaries, wages and other benefits	50,283	59,613
Contributions to defined contribution retirement plans	737	642
Equity settled share-based payment expenses	4,327	6,489
	<b>55,347</b>	66,744
(c) Other items:		
Cost of inventories#	83,454	71,871
Amortisation of land lease premium#	189	108
Amortisation of intangible assets#	30,685	10,791
Depreciation of property, plant and equipment#	18,808	22,027
Impairment loss on trade and other receivables	1,031	1,156
Write-back of impairment loss on trade and other receivables	—	(9,574)
Impairment loss on construction in progress	—	11,185
Research and development costs	4,664	3,026
Auditors' remuneration		
— audit services	3,993	2,440
— other services	800	2,300
Operating lease charges in respect of#		
— properties	2,891	2,752
— other assets	501	411

# Cost of inventories includes \$12,052,000 (2006: \$9,099,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2007 \$'000	2006 \$'000
<b>Current tax - Outside Hong Kong</b>		
PRC income tax for the year	<b>15,818</b>	11,863
<b>Deferred tax</b>		
Effect of change in tax rate	<b>2,702</b>	—
Origination and reversal of temporary differences	<b>(1,553)</b>	(9,397)
	<b>1,149</b>	(9,397)
	<b>16,967</b>	2,466

### PRC income tax

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

One of the subsidiaries was registered in the Beijing Economic and Technology Development Zone and hence enjoys a preferential income tax rate of 15%. In accordance with the relevant tax rules and regulations in the PRC, the subsidiary was fully exempted from PRC income tax for the two years ended 31 December 2003 and entitled to a 50% reduction of PRC income tax for the three years ended 31 December 2006. In 2007, the subsidiary was accredited as a "foreign-invested advanced technology enterprise" and was granted a reduction in income tax rate from 15% to 10% for the three years ending 31 December 2009.

Another subsidiary of the Group, which was also registered in the Beijing Economic and Technology Development Zone and subject to an income tax rate of 15%, was fully exempted from PRC income tax for the two years ended 31 December 2005 and entitled to a 50% reduction of PRC income tax for the three years ending 31 December 2008.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. From 1 January 2008, the income tax rate for the two subsidiaries mentioned above is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The two subsidiaries mentioned above do not have material deferred tax assets and liabilities as at 31 March 2007.

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

#### PRC income tax (continued)

The rest of the Group's subsidiaries in the PRC are currently subject to PRC income tax at a rate of 33%. As a result of the new tax law, it is expected that the income tax rate applicable to these subsidiaries will be reduced from 33% to 25% from 1 January 2008. The new tax rate of 25% has been applied in the measurement of the Group's deferred tax assets as at 31 March 2007 arising from such subsidiaries and which are expected to be utilised subsequent to 1 January 2008.

#### Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the years ended 31 March 2007 and 2006 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

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

	2007 \$'000	2006 \$'000
Profit before taxation	247,618	563,738
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	70,915	154,098
Tax effect of non-deductible expenses	21,709	11,321
Tax effect of non-taxable revenue	(28,347)	(117,918)
Reduced tax rate approved by tax authorities	(30,580)	(30,418)
Income tax exemption	(19,038)	(13,484)
Tax effect of previously unrecognised deferred tax assets now recognised	(1,333)	(5,586)
Tax effect of unused tax losses not recognised	939	4,453
Effect of change in tax rate	2,702	-
Actual tax expense	16,967	2,466

## 9 DIVIDEND

### (a) Dividend payable to equity shareholders of the Company attributable to the year

	2007 \$'000	2006 \$'000
Final dividend proposed after the balance sheet date of 3.1 (2006: nil) cents per ordinary share	47,189	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 \$'000	2006 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of nil (2006: 2.1 cents per share)	—	26,547

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of \$223,365,000 (2006: \$563,824,000) divided by the weighted average number of 1,510,133,000 (2006: 1,265,612,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares at 1 April	1,276,211	1,264,125
Effect of shares issued	240,356	—
Effect of shares repurchased and cancelled	(8,487)	—
Effect of share options exercised	—	258
Effect of conversion of convertible bonds	2,053	300
Effect of scrip dividend	—	929
Weighted average number of ordinary shares at 31 March	1,510,133	1,265,612

## 10 EARNINGS PER SHARE *(Continued)*

### **(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of \$226,793,000 (2006: \$567,626,000) and the weighted average number of 1,591,741,000 (2006: 1,330,230,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

#### **(i) Profit attributable to equity shareholders of the Company (diluted)**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Profit attributable to equity shareholders	<b>223,365</b>	563,824
After tax effect of effective interest on liability component of convertible bonds	<b>3,557</b>	3,802
Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under the share option scheme of a subsidiary for nil consideration	<b>(129)</b>	—
Profit attributable to equity shareholders (diluted)	<b>226,793</b>	567,626

#### **(ii) Weighted average number of ordinary shares (diluted)**

	<b>2007</b>	2006
	<b>'000</b>	'000
Weighted average number of ordinary shares at 31 March	<b>1,510,133</b>	1,265,612
Effect of conversion of convertible bonds	<b>59,000</b>	61,053
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<b>22,608</b>	3,565
Weighted average number of ordinary shares (diluted) at 31 March	<b>1,591,741</b>	1,330,230

## 11 NON-CURRENT PREPAYMENTS

Included in non-current prepayments are earnest money of \$31,297,000 (2006: \$55,104,000) and deposits for the acquisition of properties of \$31,942,000 (2006: \$Nil). The earnest money as at 31 March 2007 was paid in connection with the acquisition of a 90% equity interest in a PRC entity which has been granted the right to operate a cord blood bank. The amount was applied against the purchase consideration upon completion of the acquisition in May 2007.

Earnest money as at 31 March 2006 was paid in connection with the acquisition of 50% interest in Beijing Pypo, and has been applied against the purchase consideration upon completion of the acquisition in June 2006.

## 12 TRADE RECEIVABLES

Details of the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) are as follows:

	The Group	
	2007 \$'000	2006 \$'000
Within 6 months	145,908	127,727
Between 7 and 12 months	19,618	9,452
Over one year	1,018	1,420
	<b>166,544</b>	138,599

All of the trade receivables are expected to be recovered within one year.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Except for instalment receivables from the rendering of Cord Blood Bank services, trade receivables are due within 60 to 180 days from the date of billing. For instalments receivable, regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. Status of the receivables is closely monitored to minimise any credit risk associated with these receivables. Normally, the Group does not obtain collateral from customers.

## 13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments of the Group at 31 March 2007 is a receivable of \$74,530,000 (2006: \$Nil) from the disposal of available-for-sale equity securities, which is expected to be recovered within one year.

Other receivables, deposits and prepayments are expected to be recovered within one year.

Included in other receivables, deposits and prepayments of the Group are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2007 '000	2006 '000
United States Dollars	<b>USD9,555</b>	USD—



## 14 TRADE PAYABLES

The Group is normally granted credit terms of 1 to 3 months from its suppliers. Details of the ageing analysis of trade payables are as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Due within 3 months or on demand	31,399	46,076

## 15 NON-ADJUSTING POST BALANCE SHEET EVENTS

### (a) *Acquisition of subsidiary*

On 8 May 2007, the Group completed the acquisition of a 90% equity interest in a PRC entity which has been granted the right to operate a cord blood bank in the PRC, at a total consideration, including direct expenses, of \$31,297,000, satisfied in cash.

### (b) *Placing and subscription of shares by China Stem Cells Holdings Limited ("CSC")*

On 15 May 2007, CSC entered into several subscription agreements pursuant to which CSC issued a total of 166,980 new ordinary shares at USD137.74 per share, representing approximately 11.5% of CSC's issued share capital immediately before the placement or 10.3% of the enlarged issued share capital of CSC. Gross proceeds of USD23,001,000, equivalent to \$179,408,000, will be used for business expansion and working capital. Upon completion, the Group's effective shareholding in CSC decreased from 56.5% to 52.0%.

## 16 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### *Overview*

Golden Meditech's performance during the financial year ended 31 March 2007 was robust. With the Group's core business interests diversified across a number of distinct segments of the healthcare industry with unique client bases and at different stages of development, the Group's overall growth remains strong and resilient.

Looking at individual businesses, the Medical Device Segment continues to dominate its market and generate substantial cash flow to fund the long-term business development for the Group, while the Cord Blood Bank Segment has entered into the take-off stage of its development lifecycle and is making an increasingly significant contribution to the Group. Lastly, the Chinese Herbal Medicine Segment remains at the start-up stage of its development lifecycle and is growing at a strong pace.

#### ***The Medical Device Segment — maintaining market dominance***

The Medical Device Segment maintained its market leadership in the last financial year. The Segment's Autologous Blood Recovery System (ABRS) products – which collect, process and re-infuse a patient's blood during surgery, eliminating the need for traditional homologous blood transfusion and the related risk of contracting blood-borne diseases – are now in use in large-scale hospitals across the country.

However, the momentum in new equipment procurement by hospitals slowed during the year under review due to measures introduced by the government, including new procurement procedures, aimed at enhancing the efficiency and transparency of China's healthcare system. These regulatory changes, in turn, slowed growth in the Segment's ABRS machine sales, although sales of Disposable Chambers used in our ABRS machines continued to rise at double digit, indicating that usage of our ABRS machines is growing nationwide.

Despite the new regulatory measures, the Segment's overall turnover and operating profit amounted to HK\$267,192,000 and HK\$190,727,000 respectively during the financial year. We believe the impact of the new procurement regulations will be temporary and that the Segment's sales will recover their growth momentum in the near future.

The Group is diversifying its customer base from hospitals into the consumer space, and has been developing a range of personal health monitoring devices. To pave way for the sales of new products, the Group completed an acquisition of 50% equity interest in Beijing Pypo Technology Group Company Limited ("Beijing Pypo"), which possess a nationwide network of sales channels for personal electronic goods, on 2 June 2006 for an aggregate cash consideration of RMB464,356,000 (equivalent to HK\$450,743,000) inclusive of cost directly attributable of the acquisition.

The Group plans to use Beijing Pypo's nationwide sales network to market its newly developed health monitoring devices to the target customers. The management believes this will result in considerable savings on establishing sales channels and on advertising, and maximising cost-effectiveness. Beijing Pypo's stable sales record, high liquidity, and robust financial position will also strengthen our earnings.

The management is confident that the Segment will continue to lead the market for the ABRS. At the same time, the Segment will continue to prudently expand its product portfolio into new untapped areas of demand in the healthcare market.

### ***Cord Blood Bank Segment — first leap of expansion***

The Cord Blood Bank Segment is at the 'take-off stage' of its business development lifecycle and experiencing tremendous growth. The Segment provides separation, processing, examination and storage of blood stem cells extracted from the umbilical cord blood of newborn babies. Currently, only four regions in China are permitted to provide cord blood storage services. Golden Meditech is the first mover in the field and the only cord blood storage service provider to hold two licences.

The Segment's cord blood bank operation in Beijing performed exceptionally well during the year under review. The Beijing operation's turnover surged by 88% to HK\$63,942,000 year over year, while its operating profit rocketed 123% to HK\$25,142,000 (2006: HK\$11,298,000 as adjusted for the one off impairment loss of HK\$11,185,000). This impressive growth was driven by effective marketing promotions and the Group's extensive network of hospital customers. The business has also benefited from the increasing visibility of stem cell research in the media, and the Chinese public's growing understanding and acceptance of cord blood storage.

#### ***Expanding into Guangdong Province***

On the back of its success in the country's capital, the Segment launched a second operation in Guangdong in May 2007. The management believes the new Bank has greater growth potential and will in time generate even stronger income than the Beijing Bank, given the number of birth in Guangdong is 10 times as great as that of Beijing, and Guangdong is one of China's wealthiest provinces.

The Segment's entry into the Guangdong market is only the first step in an expansion plan, which aims to promote the cord blood storage service across China and in other regions.

The management is fully confident that, with effective marketing and growing public acceptance of cord blood storage, the Segment will deepen its market penetration and continue to generate substantial cash flow for the Group.

#### ***Successful share placements by subsidiary***

To fund business expansion, China Stem Cells Holdings Limited (CSC) – the subsidiary that holds our cord blood storage operations – made two new share placements in November 2006 and May 2007 which raised a total of US\$43,001,000 of capital. In the period of less than four years since Golden Meditech took over management of the operation, CSC's valuation has surged by 567% from US\$30 million to US\$200 million.

The proceeds of the two recent share placements will be used to fund the building of new storage facilities and as general working capital. Following the share placements, the Group's stake in CSC was diluted to 52%.

### ***The Chinese Herbal Medicine Segment — growing at strong pace***

The Chinese Herbal Medicine Segment, which is engaged in the development and manufacture of Chinese natural herbal medicines, is currently at an early stage of commercialising products. It began commercial production of its first product, TangHerb®, in March 2006 and recorded a total turnover of HK\$9,940,000 for the financial year.

TangHerb® is the first proprietary Chinese herbal medicine approved by the Chinese government for alleviating common AIDS symptoms. It is also effective in improving the immunity and quality of life of both HIV carriers and AIDS patients. TangHerb® is currently being supplied to the central government and to charitable organisations involved in the fight against AIDS in China for distribution to AIDS patients.

The Chinese government is actively educating the public about the threat of AIDS and is committed to the containment and treatment of the disease. Through TangHerb®, the Group hopes to contribute to this initiative and help the 650,000 people infected with HIV in China. The management is confident of TangHerb®'s market potential, given the product is closely aligned with the government's AIDS treatment policy.

### ***Successful Placing of New Shares***

In April 2006, the Group entered into a placing agreement to issue 252,824,000 new ordinary shares, representing approximately 19.8% of Golden Meditech's then existing issued share capital, at HK\$2.4 per share. The placing raised HK\$587,588,000 net of estimated expenses, which is to be used as working capital and reserve for potential investments in the future.

## **FINANCIAL REVIEW**

### ***Turnover***

The Group continued to generate robust revenue growth during the year ended 31 March 2007, in line with the management's expectations. Turnover came to HK\$341,074,000, which represented an increase of 22% compared with last year.

The Medical Device Segment remained the Group's principal source of revenue, accounting for 78% of total turnover. After three consecutive years of high growth, the Cord Blood Segment generated 19% of the total turnover. The remainder came from a fresh source of revenue, namely our newly blossoming Chinese Herbal Medicine Segment. The management expects the Cord Blood Bank Segment and Chinese Herbal Medicine Segment to account for an expanding proportion of total revenue increase going forward.

### ***Profit attributable to equity shareholders of the Company***

The Group maintained its earnings momentum during the year, with profit attributable to equity shareholders of the Company amounting to HK\$223,365,000. Excluding the exceptional gains from the listing of China Medical Technologies, Inc. ("CMED") and the subsequent partial disposal of the Group's interest in CMED, and the one-off impairment loss in the Cord Blood Bank Segment in the previous financial year, profit attributable to equity shareholders of the Company increased by an impressive 64% rate during the year. This earnings growth was driven by organic business growth across all operating units. In addition, profit attributable to equity shareholders of the Company for the year under review was boosted by interest income, gains made on securities trading, and realised profits from derivative instruments linked to our CMED shareholdings.

### ***Gross profit margin***

While the gross profit margins of both the Medical Device Segment and Cord Blood Bank Segment remained firm at high levels, the Group's overall gross margin fell to 62% during the year under review, compared with 67% in the previous financial year. This margin contraction is mainly the result of the full year's amortisation of intangible assets relating to the Chinese Herbal Medicine Segment.

Further, the gross profit margins of the Cord Blood Bank Segment and the Chinese Herbal Medicine Segment are lower than that of the Medical Device Segment. As the contributions of the Cord Blood Bank Segment and the Chinese Herbal Medicine Segment to the Group's turnover increased, the overall gross profit margin of the Group fell slightly compared to that of last year.

### ***Other net income***

Having a strong cash position, the Group took cautious and prudent approach to the buoyant capital markets during the year and invested in several low risk publicly traded securities, which generated a net gain of HK\$20,135,000 for the year. In addition, to hedge our exposure to CMED shares, the Group entered into derivative contracts during the year which resulted in a HK\$52,828,000 realised gain.

### ***Selling and administrative expenses***

Total selling and administrative expenses for the year ended 31 March 2007 were HK\$105,943,000 compared to HK\$112,783,000 for the year ended 31 March 2006, which included a one-off impairment loss on construction in progress of the Cord Blood Bank Business of HK\$11,185,000. Excluding the one-off impairment loss for the year ended 31 March 2006, the Group's selling and administrative expenses increased slightly by 4%. The increase was mainly due to legal and professional fees incurred during the year relating to professional advice on the corporate structure of the Group, which was one of the initiatives taken by the management to review the Group's positions to enhance its value to the shareholders. The Group has always adhered to prudent cost controls and will continue to ensure expenses are kept at a reasonable level.

### ***Finance Costs***

Finance costs decreased this year due mainly to the repayment of partial short-term loan, which reduced interest expense.

### ***Dividend***

Delivering sustainable returns to shareholders has always been the goal of Golden Meditech. After reviewing the Group's overall profitability, financial position, future capital requirements and market conditions, the Board recommends a final dividend of HK3.1 cents per share, an increase of 47% compared to the HK2.1 cents per share for FY04/05, or a 21% rise per year on a year-on-year basis. This dividend payment recommendation will be proposed at the forthcoming annual general meeting.

### ***Capital structure, liquidity and financial resources***

#### ***Assets and shareholder interests***

The Group's total assets as of 31 March 2007 were HK\$3,044,038,000, compared with HK\$2,526,813,000 a year earlier, while shareholder interests came to HK\$2,560,154,000 versus HK\$2,055,998,000 a year earlier.

#### ***Liquidity***

The Group's cash and bank balances at 31 March 2007 were HK\$688,226,000, versus HK\$481,666,000 a year earlier, while total bank borrowings were HK\$110,122,000, compared with HK\$134,587,000 a year earlier.

#### ***Financial resources***

The Group has always maintained a sound financial position and has sufficient cash to satisfy future requirements.

The Group's interest-bearing liabilities at 31 March 2007 totalled HK\$208,958,000, compared with HK\$246,864,000 a year ago. They included bank borrowings and the three-year convertible bonds issued in September 2004.

#### ***Gearing ratio***

The Group's gearing ratio was 4.0% as at 31 March 2007 if calculated as a percentage of total interest-bearing liabilities (excluding the convertible bonds) over total equity, compared with 6.4% a year ago, and was 7.7% if calculated as a percentage of total interest-bearing liabilities (including the convertible bonds) over total equity, compared with 11.7% a year ago.

### ***Exchange rate risk***

The Group's sales and purchases are mainly transacted in Chinese Renminbi Yuan. The majority of the Group's assets and liabilities are also denominated in Chinese Renminbi Yuan. The management believes the upward pressure on the value of the Chinese Renminbi Yuan will continue to benefit the Group over the long run. No currency hedging arrangements were deemed necessary during the reporting period.

### ***Employees***

The Group had 418 full-time employees in Hong Kong and the PRC as at the end of the financial year, versus 372 full-time employees a year earlier. During the year, the Group incurred staff costs (including Directors' emoluments) of HK\$55,347,000 compared with HK\$66,744,000 in the previous financial year.

### ***Treasury policies***

The Group adopts prudent treasury policies. To reduce exposure to credit risk, the Group performs ongoing credit evaluations of its customers. To manage liquidity risk, the management closely monitors the liquidity structure of the Group to ensure funding requirements can be met.

### ***Charges on group assets***

As at 31 March 2007, the total book value of the assets charged for bank loans was HK\$97,733,000, compared with HK\$98,558,000 a year earlier.

### ***Contingent liabilities***

As at 31 March 2007, a subsidiary of the Company has issued guarantees to banks in respect of banking facilities granted to a jointly controlled entity which will expire within one year. Under the guarantees, the subsidiary is liable for the borrowings of the jointly controlled entity under such facilities from the banks which are the beneficiaries of the guarantees.

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the subsidiary under the guarantees. The maximum liability of the Group at the balance sheet date under the guarantees issued is the outstanding amount of the facility drawn down by the jointly controlled entity of HK\$182,020,000 (2006: HK\$Nil).

The Group has not recognised any deferred income in respect of the guarantees as their fair value is not material.

## **PROSPECTS**

The Group's businesses all possess substantial long-term growth potential and occupy leading market positions in their respective sectors. They also possess growth drivers which are particular to their market spaces.

The Medical Device Segment has completed clinical trials of two new types of devices and have obtained approval from the State Food and Drug Administration. Both devices are the first of their kind to be developed and approved domestically, in line with Golden Meditech's strategy to seek first-mover advantage in new business. The Segment has also begun diversifying its client base away from hospitals into the consumer space. It is currently developing a series of personal health monitoring devices, which will gradually be launched to the retail market for health conscious consumers.

The Cord Blood Bank Segment's recent expansion into Guangdong will gradually build up critical mass. Customers are requested to pay an initial processing fee and an annual storage fee. As the number of new customers rises, the management expects this Segment to generate strong, recurring cash flow for the Group. The management is actively seeking to expand the cord blood storage services into more regions.

At the Chinese Herbal Medicine Segment, the research team has begun conducting the fourth phase of clinical trials of TangHerb®, which will allow the product to be sold as an over-the-counter drug. The management estimates TangHerb® will complete its clinical trials in a couple of years, paving the way for distribution nationwide of the product over the counter for easy access by the people living with HIV across the country.

In summary, the management believes it has laid solid foundations for the Group's future growth and will continue to build on that base through prudent business expansion and leveraging of the Group's competitive advantages. The Group remains committed to delivering sustainable returns for shareholders and, at the same time, contributing to society through products and services that enhance health and wellbeing.

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

Except for the repurchase of 15,232,000 of the Company's own ordinary shares at prices ranging from HK\$1.89 to HK\$2.55 per ordinary share, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Good corporate governance has always been recognised as vital to the Group's success and to sustain development of the Group. The Board is committed to achieving and maintaining high standards of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency, safeguarding the interests of the shareholders and enhancing the performance of the Company.

The Company has applied the principles as set out in the Corporate Governance Code ("CG Code") and complied with all the Code Provisions as set out in Appendix 15 of the GEM Listing Rules except for Code A.2.1. It also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the CG Code.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. KAM Yuen is the chairman and chief executive officer of the Company responsible for managing the Board and the Group's businesses. The Board considers that this structure will not impair the balance of power and authority in view of the current composition of the Board which comprises 3 Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board's deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

Mr. Kam has been both the chairman and chief executive officer of the Company since the listing of the Company's shares on the GEM. He has substantial experience in the medical healthcare industry. The Board and management are of the view that the assumption of those positions by Mr. Kam is beneficial to the business development of the Group.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Audit Committee") in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

The Audit Committee held four meetings during the year ended 31 March 2007. Working closely with the management of the Company, the Audit Committee has reviewed the Company's annual, interim and quarterly results, the accounting principles and practices adopted by the Group, discussed with the Board and management on internal controls, risk management and financial reporting matters, and reviewed the independence and performance of the external auditors. The Company's annual results for the year ended 31 March 2007 have been reviewed by the Audit Committee.

## **PUBLICATION OF ANNUAL REPORT ON THE GEM SEBSITE**

The Annual Report of the Company containing all the information required by the Listing Rules will be published on the GEM website in due course.

By order of the Board  
**KAM Yuen**  
Chairman

Hong Kong, 25 June 2007

*As at the date of this announcement, the Board is composed of 7 directors. The executive directors are KAM Yuen (Chairman), JIN Lu, LU Tian Long and ZHENG Ting and the independent non-executive directors are CAO Gang, GAO Zong Ze and GU Qiao.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least seven days from the date of its posting and on the Company's website at <http://www.goldenmeditech.com>.*