

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended December 31, 2004 is based on the net profit for the year of HK\$245,011,000 and the 1,538,124,661 shares in issue during the year.

No diluted earnings per share was presented for the year ended December 31, 2004 as there was no potential ordinary shares in issue during the year.

The calculation of basic and diluted earnings per share for the year ended December 31, 2003 was based on the following data:

	2003
Profit attributable to shareholders	<u>HK\$504,169,000</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,515,192,387
Effect of dilutive potential ordinary shares in respect of share options	<u>20,501,401</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,535,693,788</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Land use rights in the PRC <i>HK\$'000</i>	Buildings in the PRC <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST							
At January 1, 2004	113,036	350,889	1,414,128	4,311	11,233	359,820	2,253,417
Additions	4,765	6,937	63,326	6,476	3,199	1,369,009	1,453,712
Transfers	2,181	148,849	735,766	10	–	(886,806)	–
Disposals	–	(4,410)	(15,000)	(18)	(2,641)	–	(22,069)
At December 31, 2004	<u>119,982</u>	<u>502,265</u>	<u>2,198,220</u>	<u>10,779</u>	<u>11,791</u>	<u>842,023</u>	<u>3,685,060</u>
DEPRECIATION AND AMORTISATION							
At January 1, 2004	10,080	49,800	446,327	1,109	6,937	–	514,253
Provided for the year	5,615	19,587	139,766	1,396	1,872	–	168,236
Eliminated on disposals	–	(489)	(8,625)	(13)	(906)	–	(10,033)
At December 31, 2004	<u>15,695</u>	<u>68,898</u>	<u>577,468</u>	<u>2,492</u>	<u>7,903</u>	<u>–</u>	<u>672,456</u>
NET BOOK VALUE							
At December 31, 2004	<u>104,287</u>	<u>433,367</u>	<u>1,620,752</u>	<u>8,287</u>	<u>3,888</u>	<u>842,023</u>	<u>3,012,604</u>
At December 31, 2003	<u>102,956</u>	<u>301,089</u>	<u>967,801</u>	<u>3,202</u>	<u>4,296</u>	<u>359,820</u>	<u>1,739,164</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

11. PROPERTY, PLANT AND EQUIPMENT – continued

At December 31, 2004, borrowing cost of HK\$3,339,000 (2003: Nil) was capitalized and included in construction in progress.

At the balance sheet date, the Group's land use rights and buildings in the PRC are held under medium-term leases.

	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
COST			
At January 1, 2004	2,192	1,005	3,197
Additions	30	–	30
	2,222	1,005	3,227
At December 31, 2004	2,222	1,005	3,227
DEPRECIATION			
At January 1, 2004	221	653	874
Provided for the year	444	201	645
	665	854	1,519
At December 31, 2004	665	854	1,519
NET BOOK VALUE			
At December 31, 2004	1,557	151	1,708
At December 31, 2003	1,971	352	2,323

12. INVESTMENTS IN SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment, at cost	1,161,737	895,244

Particulars of the Company's subsidiaries as at December 31, 2004 are set out in note 35.

13. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

14. INTANGIBLE ASSETS

	Technical know-how <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Utility rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At January 1, 2004	55,299	20,906	56,659	132,864
Additions	9,760	–	12,164	21,924
At December 31, 2004	<u>65,059</u>	<u>20,906</u>	<u>68,823</u>	<u>154,788</u>
AMORTISATION AND IMPAIRMENT				
At January 1, 2004	41,026	8,007	23,400	72,433
Provided for the year	5,290	842	6,273	12,405
At December 31, 2004	<u>46,316</u>	<u>8,849</u>	<u>29,673</u>	<u>84,838</u>
NET BOOK VALUE				
At December 31, 2004	<u>18,743</u>	<u>12,057</u>	<u>39,150</u>	<u>69,950</u>
At December 31, 2003	<u>14,273</u>	<u>12,899</u>	<u>33,259</u>	<u>60,431</u>

The cost of technical know-how is amortised on a straight-line basis over its expected useful life of ten years.

Development costs are deferred and amortised, using the straight-line method, over a period of three to five years from date of commencement of commercial operation.

The cost of rights to use utilities is amortised on a straight-line basis over their estimated useful lives of ten years.

15. GOODWILL

	<i>HK\$'000</i>
COST	
At January 1, 2004 and December 31, 2004	<u>63,661</u>
AMORTISATION	
At January 1, 2004	4,714
Provided for the year	3,183
At December 31, 2004	<u>7,897</u>
NET BOOK VALUE	
At December 31, 2004	<u>55,764</u>
At December 31, 2003	<u>58,947</u>

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>24,654</u>	<u>21,235</u>

At December 31, 2004, the Group held 50% of the registered capital of Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong"), which is a sino-foreign equity joint venture company established in the PRC to manufacture and sell vitamin B12 products.

17. LOAN RECEIVABLE

The loan is unsecured, carries interest at 6.435% per annum and is repayable as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	795	795
Between one to two years	655	795
Between two to five years	–	655
	<u>1,450</u>	<u>2,245</u>
Less: Amount receivable within one year shown under current assets	<u>(795)</u>	<u>(795)</u>
Amount receivable after one year	<u>655</u>	<u>1,450</u>

18. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	84,049	62,226
Work in progress	175,030	84,051
Finished goods	193,776	145,577
	<u>452,855</u>	<u>291,854</u>

At the balance sheet date, all inventories are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

19. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	334,482	325,490
91 to 180 days	20,719	24,222
181 to 365 days	1,952	629
	<hr/>	<hr/>
	357,153	350,341
Other receivables	56,476	88,231
	<hr/>	<hr/>
	413,629	438,572
	<hr/> <hr/>	<hr/> <hr/>

20. PLEDGED BANK DEPOSITS

As at December 31, 2004 included in pledged bank deposits were deposits pledged for acquisition of property, plant and equipment of HK\$9,416,000 (2003: HK\$48,494,000), which were classified in the balance sheet as non-current. The remaining balance of HK\$7,282,000 (2003: HK\$29,938,000) represents deposits pledged by the Group to banks to secure short-term banking facilities granted to the Group and were classified as current assets.

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	313,984	260,909
91 to 180 days	42,197	27,572
181 to 365 days	18,727	18,075
More than 365 days	18,358	8,216
	<hr/>	<hr/>
	393,266	314,772
Other payables	468,074	166,319
	<hr/>	<hr/>
	861,340	481,091
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

22. BANK LOANS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	<u>1,067,222</u>	<u>306,349</u>	<u>675,020</u>	<u>195,030</u>
Analysed as:				
Secured	25,020	75,030	25,020	75,030
Unsecured	<u>1,042,202</u>	<u>231,319</u>	<u>650,000</u>	<u>120,000</u>
	<u>1,067,222</u>	<u>306,349</u>	<u>675,020</u>	<u>195,030</u>

The bank loans are repayable as follows:

Within one year or on demand	249,813	161,299	185,020	49,980
Between one to two years	487,409	145,050	160,000	145,050
Between two to five years	330,000	–	330,000	–
	<u>1,067,222</u>	<u>306,349</u>	<u>675,020</u>	<u>195,030</u>
Less: Amount due within one year shown under current liabilities	<u>(249,813)</u>	<u>(161,299)</u>	<u>(185,020)</u>	<u>(49,980)</u>
Amount due after one year	<u>817,409</u>	<u>145,050</u>	<u>490,000</u>	<u>145,050</u>

23. LOANS FROM ULTIMATE HOLDING COMPANY

The loans are unsecured and are analysed as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans from SPG:		
– interest bearing at prevailing market rate	46,773	93,545
– interest-free	8,045	8,045
	<u>54,818</u>	<u>101,590</u>

SPG agrees not to demand repayment of the above loans within twelve months from the balance sheet date. As a result, the loans are classified as non-current liabilities.

24. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

25. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At December 31, 2003 and 2004	3,000,000,000	300,000
Issued and fully paid:		
– balance at January 1, 2003	1,502,212,661	150,221
– exercise of share options (note)	35,912,000	3,591
At December 31, 2003 and 2004	1,538,124,661	153,812

Note: During the year ended December 31, 2003, 2,608,000, 15,000,000 and 18,304,000 shares options were exercised at a subscription price of HK\$0.67, HK\$0.62 and HK\$0.61 per share, respectively, resulting in the issue of 35,912,000 ordinary shares of HK\$0.10 each in the Company. These shares rank pari passu in all respects with other shares in issue.

26. SHARE OPTIONS

The Old Scheme

The Company's share option scheme adopted on May 27, 1994 for the primary purpose of providing incentives to directors and eligible employees (the "Old Scheme") has expired on May 26, 2004.

No options were granted under the Old Scheme during the year ended December 31, 2003 or prior to its expiry during the year ended December 31, 2004. All options granted under the Old Scheme were fully exercised or lapsed during the year ended December 31, 2003.

The following tables disclose details of the Company's share option held by employees (including directors) under the Old Scheme and movements in such holdings during the year ended December 31, 2003:

Date of grant	Exercisable period	Exercise price HK\$	Number of shares outstanding at 1.1.2003	Exercised during the year	Lapsed during the year	Number of shares outstanding at 12.31.2003
2.19.2000	8.20.2000 to 8.19.2003	0.67	7,826,000	(2,608,000)	(5,218,000)	–
3.27.2000	9.28.2000 to 9.27.2003	0.62	20,000,000	(15,000,000)	(5,000,000)	–
8.15.2001	2.16.2002 to 5.26.2004	0.61	24,304,000	(18,304,000)	(6,000,000)	–
			52,130,000	(35,912,000)	(16,218,000)	–

26. SHARE OPTIONS – continued

The Old Scheme – continued

The weighted average closing price of the shares on the dates on which the share options were exercised during the year ended December 31, 2003 was HK\$2.91.

The following table discloses movements in the Company's share options held by directors (and other key management) under the Old Scheme included in the above table:

Date of grant	Exercisable period	Exercise price HK\$	Number of shares outstanding at 1.1.2003	Exercised during the year	Lapsed during the year	Number of shares outstanding at 12.31.2003
2.19.2000	8.20.2000 to 8.19.2003	0.67	3,914,000	(2,608,000)	(1,306,000)	–
3.27.2000	9.28.2000 to 9.27.2003	0.62	20,000,000	(15,000,000)	(5,000,000)	–
8.15.2001	2.16.2002 to 5.26.2004	0.61	24,304,000	(18,304,000)	(6,000,000)	–
			<u>48,218,000</u>	<u>(35,912,000)</u>	<u>(12,306,000)</u>	<u>–</u>

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which have lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

The New Scheme

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on July 6, 2004, the board of directors approved and adopted the new share option scheme (the "New Scheme").

The New Scheme is for the purpose of providing incentive to directors (or any persons proposed to be appointed as such, whether executive or non-executive) and employees (whether full-time or part-time) of each member of the Group; eligible business consultants, professionals and other advisers who have rendered service or will render service to the Group as determined by the board of directors.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised is not permitted to exceed 10% of the shares of the Company in issue from time to time. The maximum entitlement for any one participant, subject to prior approval from the Company's shareholders with such participant and such participant's associates abstaining from voting, is that the total number of shares issued or to be issued upon exercise of the options granted to each participant in any twelve-month period shall not exceed 1% of the total number of shares in issue.

26. SHARE OPTIONS – continued

The New Scheme – continued

Any grant of options to a participant who is a director, chief executive or substantial shareholder (all within the meaning as ascribed under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules’)) of the Company or their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee). Where the granting of options to a participant who is an independent non-executive director or substantial shareholder would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted to such participant in the twelve-month period up to and including the date of such grant exceed 0.1% of the total number of shares in issue or have an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such proposed grant must be approved by the shareholders of the Company in general meeting.

Options granted have to be taken up within a period of 30 days from the date of offer upon payment of HK\$1. The subscription price is determined by the board of directors and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; (ii) and the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. Options granted are exercisable for a period to be notified by the board of directors to each grantee and in any event such period shall expire not later than 10 years from the date of grant of options.

No option has been granted or agreed to be granted under the New Scheme since its adoption.

27. RESERVES

	Share premium	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
At January 1, 2003	1,098,125	164,439	1,262,564
Exercise of share options	18,622	–	18,622
Share issue expenses	(20)	–	(20)
Net profit for the year	–	247,585	247,585
Dividends paid	–	(197,802)	(197,802)
	1,116,727	214,222	1,330,949
At December 31, 2003	1,116,727	214,222	1,330,949
Net profit for the year	–	67,729	67,729
Dividend paid	–	(107,669)	(107,669)
	1,116,727	174,282	1,291,009
At December 31, 2004	1,116,727	174,282	1,291,009

The Company’s reserves available for distribution to shareholders as at December 31, 2004 represent its accumulated profits of HK\$174,282,000 (2003: HK\$214,222,000).

28. ACQUISITION OF A SUBSIDIARY

On February 9, 2003, the Group acquired 100% of the issued share capital of Zhongqi Pharmaceutical Technology (Shijiazhuang) Company Limited. Details of this acquisition were set out in note 34.

The net assets of the subsidiary acquired were as follows:

	2003 <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	12,290
Other receivables	6,001
Inventories	6,179
Bank balances and cash	1,858
Other payables	(9,078)
	17,250
Goodwill arising on acquisition of a subsidiary	1,819
	19,069
Satisfied by:	
Cash paid on acquisition	17,250
Directly attributable expenses paid on acquisition	1,819
	19,069

Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:

	2003 <i>HK\$'000</i>
Bank balances and cash acquired	1,858
Cash paid on acquisition	(19,069)
	(17,211)
Net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary	(17,211)

The subsidiary acquired during the year ended December 31, 2003 did not have a material contribution to the net cash flows and results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

29. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating lease during the year in respect of land and buildings	<u>2,855</u>	<u>2,922</u>

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,085	2,240	1,291	836
In the second to fifth year inclusive	4,123	2,219	473	1,300
Over five years	1,104	684	–	–
	<u>9,312</u>	<u>5,143</u>	<u>1,764</u>	<u>2,136</u>

Operating lease payments represent payable by the Group for certain of its office and factory properties. Leases are negotiated and rentals are fixed for an average term of three years.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	<u>339,758</u>	<u>233,474</u>

At the balance sheet date, the Company had capital commitments in respect of investment in a subsidiary as follows:

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital investment in respect of capital contribution	<u>88,835</u>	<u>130,000</u>
Capital investment authorised but not contracted for	<u>–</u>	<u>250,000</u>

31. CONTINGENT LIABILITIES

At December 31, 2004, the Company had given a corporate guarantee of HK\$25,820,000 (2003: HK\$7,800,000) to a bank to secure general banking facilities granted to a subsidiary of the Company.

32. PLEDGE OF ASSETS

Details of the Group's pledge of bank deposits are set out in note 20.

At the balance sheet dates, the Company had pledged all the equity interests of its wholly-owned subsidiary, Weisheng Pharmaceutical (Shijiazhuang) Co., Limited to a bank to secure bank loan granted to the Company.

33. EMPLOYEE RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a certain percentage of the employees' relevant payroll costs. The Group's employer contributions vest fully with the employees when contributed into the scheme.

The employees of the subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government.

The relevant subsidiaries are required to make contributions to the state retirement schemes in the PRC based on certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. During the year, the contributions made by the PRC subsidiaries relating to the arrangement were approximately HK\$36,153,000 (2003: HK\$27,257,000).

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions with these companies during the year, and balances with them at the balance sheet date, are as follows:

(I) CONNECTED PARTIES

Name of company	Nature of transactions/ balances	THE GROUP	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
SPG Group	Sale of finished goods (note a)	2,467	5,568
	Purchase of raw materials (note a)	44,338	38,964

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES – continued

(I) CONNECTED PARTIES – continued

Name of company	Nature of transactions/ balances	THE GROUP	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
SPG Group	Service charges relating to administrative, selling, utility, energy, community, land use rights and other supporting services and facilities (note b)	1,349	2,722
	Rental expenses (note c)	1,835	1,375
	Processing services charges (note d)	24,131	33,182
	Repairing charges (note e)	–	37
	Income from provision of technology consultancy services (note e)	–	175
	Interest expenses on loans from ultimate holding company (note g)	3,283	980
	Acquisition of a subsidiary (note h)	–	17,250
	Purchase of property, plant and equipment from the SPG Group (note i)	5,376	15,328
	Guarantee given by the SPG Group (note j)	150,000	150,000
	Balance due from (to) the SPG Group at December 31		
	– trade receivables (note m)	3,854	2,529
	– trade payable (note m)	(4,282)	–
	– dividend payable	(54,141)	(26,111)
	– long-term loans (note g)	(54,818)	(101,590)
		<u><u> </u></u>	<u><u> </u></u>
Name of company	Nature of transactions/ balances	THE COMPANY	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
SPG Group	Balance due to the SPG Group at December 31		
	– dividend payable	(54,141)	(26,111)
		<u><u> </u></u>	<u><u> </u></u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2004

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES – continued

(II) RELATED PARTIES, OTHER THAN CONNECTED PARTIES

Name of company	Nature of transactions/ balances	THE GROUP	
		2004 HK\$'000	2003 HK\$'000
Ouyi Pharmaceutical Co., Ltd. (“Ouyi”), an associate of SPG (note l)	Sales of finished goods (note a)	2,239	–
	Purchase of finished goods (note a)	92	–
	Service charges relating to administrative, selling, utility, energy, community, land use rights and other supporting services and facilities (note b)	1,589	–
	Rental expenses (note c)	477	–
	Income from provision of technology consultancy services (note e)	45	–
	Service charges relating to a construction project (note e)	748	–
	Huarong, a jointly controlled entity of the Group	Sales of finished goods (note a)	371
Purchase of raw materials (note a)		29,719	37,772
Provision of utility services by the Group (note f)		2,307	922
Dividend income		–	6,122
Income from provision of technology consultancy services (note e)		216	122
Balance due from (to) Huarong at December 31			
– dividend receivable		6,122	6,122
– non-trade receivable (note k)	10,684	6,007	
– trade payable (note m)	(4,414)	(160)	

Notes:

- (a) The transactions were carried out with reference to the market prices.
- (b) Pursuant to the services agreements entered into between the Group and the SPG Group, the service fees paid by the Group to the SPG Group for all composite services, other than the provision of utilities, were based on the nature and actual costs incurred by the SPG Group. For the provision of utilities, the service fees paid were based on the actual costs of the utilities incurred by the Group plus 2% as the handling charge.

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES – continued

- (c) Rental expenses were paid in accordance with the tenancy agreements entered into by the Group and the SPG Group.
- (d) Pursuant to the services agreement entered into by the Group and the SPG Group, the Group paid processing services fee to the SPG Group based on the actual costs incurred on the services provided by the SPG Group.
- (e) The transactions were based on terms agreed by both parties.
- (f) The transactions were based on the actual cost of utilities incurred by the Group.
- (g) Details of the loans are set out in note 23.
- (h) On February 19, 2003, the Company entered into an agreement with SPG and Shijiazhuang Pharmaceutical Group New Medicine Company Limited, a wholly-owned subsidiary of SPG, for the acquisition by the Company of the entire issued share capital of Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. The acquisition was completed in June 2003.
- (i) On September 6, 2004, the Group entered into an agreement with Shijiazhuang Municipal Second Pharmaceutical Factory, an associate of SPG, for the acquisition of property and land for the purpose of manufacture of pharmaceutical preparation products and bulk pharmaceutical products for a consideration of approximately HK\$5,376,000.
- (j) The guarantee was given to a bank to secure a bank loan granted to the Company.
- (k) The amounts are unsecured, interest-free and repayable on demand.
- (l) Ouyi was a former subsidiary of SPG and became the associate company of SPG in June 2004. The Group's transactions with Ouyi prior to July 1, 2004 were included in the Group's transactions with the SPG Group as disclosed above in part (I) Connected Parties whereas the Group's transactions with Ouyi from July 1, 2004 to December 31, 2004 were disclosed above as transactions with related parties.
- (m) At the balance sheet dates, all amounts aged within one year.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at December 31, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Kind of legal status	Nominal value of issued and fully paid share capital/ registered capital	Percentage of nominal value of issued share capital held by the Company		Principal activity
				Directly	Indirectly	
				%	%	
China Nutraceuticals Limited	Hong Kong	Limited liability company	HK\$1,000	–	80	Inactive
Golden Wing Limited	Hong Kong	Limited liability company	HK\$3	100	–	Inactive