NOTES TO FINANCIAL STATEMENTS

30 June 2004

1. CORPORATE INFORMATION

The principal place of business of the Company is located at Room 704, 7th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of Chinese and western pharmaceutical products, and anti-tumour medicine
- trading of pharmaceutical products, healthcare products, and medical appliances and equipment
- research and development of pharmaceutical products

2. GROUP REORGANISATION

Pursuant to a reorganisation scheme to rationalise the structure of the Group, in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in the prior year, on 10 December 2002, the Company became the holding company of the companies now comprising the Group on 20 September 2002, except for 貴州禾創經營管理有限公司 (formerly known as 貴州禾創投資有限公司) (Guizhou Hechuang Operating Management Company Limited) ("**Guizhou Hechuang**")，成都禾創藥業有限公司(formerly known as 成都醫藥採購供應站) (Chengdu Hechuang Pharmacy Company Limited) ("**Chengdu Hechuang**"), 深圳市新創生物醫藥創業投資有限公司(Shenzhen Xinchuang Bio-Pharmaceutical Pioneering Investment Company Limited) ("**SXBPI**"), 湖北康萊醫藥有限公司 (Hubei Kanglai Medicine Company Limited) ("**Kanglai Medicine**"), Thorn Venus Technology Limited and Legend Vantage Investment Limited (collectively referred to as the "**New Subsidiaries**") and an acquisition of an additional 3.35% equity interest in 貴州漢方製藥有限公司 (Guizhou Hanfang Medicine Manufacture Co., Ltd.) ("**GHMM**") (the "**Additional Equity Interests**") which were acquired/ incorporated subsequent to the above group reorganisation and in the current year. The reorganisation was accomplished by the Company acquiring the entire issued share capital of Intended Features Limited ("**IFL**"), a company incorporated in the British Virgin Islands ("**BVI**") and the then holding company of the then subsidiaries, including those set out in note 17 to the financial statements (except for the New Subsidiaries), in consideration and in exchange for, among other consideration, the allotment and issue of a total of 1,000,000 shares of HK$0.10 each in the share capital of the Company, credited as fully paid, to the former shareholders of IFL (the "**Group Reorganisation**").

Further details of the Group Reorganisation are set out in note 30 to the financial statements and in the prospectus issued by the Company dated 28 November 2002.

3. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 29 to the financial statements and include a reconciliation between the accounting profit/(loss) and the tax expense/(income) for the year.

Further details of these changes and the prior year adjustments arising form them are included in the accounting policy for deferred tax in notes 4 and in note 29 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets as further explained below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries, except for the New Subsidiaries and the Additional Equity Interests, for the financial year presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 30 June 2003 and 2004 include the results of the Company and its subsidiaries, except for the New Subsidiaries and the Additional Equity Interests, with effect from 1 July 2002 or since their respective dates of incorporation/establishment, where this is a shorter period. The results for the New Subsidiaries and the Additional Equity Interests are consolidated from their respective dates of acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies (Continued)

A joint venture company is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and an associate represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of a period up to a maximum of 20 years. In the case of an associate and a jointly-controlled entity, any unamortised goodwill is included in the carrying amount thereof, rather than as a separate identified asset on the consolidated balance sheet.

On disposal of subsidiaries, a jointly-controlled entity and an associate, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/ amortisable assets of 40 years. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, a jointly-controlled entity and an associate, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings outside Hong Kong	Over the lease terms
Leasehold improvements	20% to 25%
Plant and machinery	5% to 20%
Furniture, fixtures, office equipment and motor vehicles	12.5% to 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Technical knowhow

The cost of acquiring the rights to technical knowhow for the development and production of new pharmaceutical products is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated economic lives of the knowhow of a maximum of five years, commencing from the date when the products are put into commercial production.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Project development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of a period up to a maximum of eight years, commencing from the date when the products are put into commercial production.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets

Leases that transfer substantially all of the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from share goodwill or the initial recognition of an asset or liability and, at the time of the transaction and, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and interest in a joint venture, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant regulations in Mainland China, certain subsidiaries of the Company are required to participate in the employee retirement scheme administered by the relevant local government bureau in Mainland China, and to make contributions for their employees who are eligible to participate in the scheme. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of 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 are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and a jointly-controlled entity and an associate are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, an associate and a jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand of deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

5. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacturing segment engages in the manufacture and sale of Chinese and western pharmaceutical products, and anti-tumour medicine; and

(b) the trading segment engages in the trading of pharmaceutical products, healthcare products, and medical appliances and equipment. The trading business was acquired in June 2003 and did not contribute any revenue and operating results to the Group for the year ended 30 June 2003.

5. SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Manufacturing		Trading		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**273,242**	219,043	**233,822**	–	**507,064**	219,043
Segment profits	**122,812**	114,939	**3,527**	–	**126,339**	114,939
Interest income and unallocated gain					**4,764**	928
Unallocated expenses					**(10,922)**	(6,085)
Profit from operating activities					**120,181**	109,782
Finance costs					**(5,692)**	(3,563)
Share of losses of:						
Jointly-controlled entity					**–**	–
Associate					**(32)**	–
Amortisation of goodwill on acquisition of an associate					**(100)**	–
Profit before tax					**114,357**	106,219
Tax					**(18,126)**	(17,186)
Profit before minority interests					**96,231**	89,033
Minority interests					**(1,214)**	(3,150)
Net profit from ordinary activities attributable to shareholders					**95,017**	85,883

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Manufacturing		Trading		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Segment assets	**459,225**	250,388	**197,704**	53,911	**656,929**	304,299
Investment in an associate					**868**	–
Investment in a jointly-controlled entity					**–**	–
Unallocated assets					**66,334**	79,064
Total assets					**724,131**	383,363
Segment liabilities	**137,623**	86,616	**111,085**	36,541	**248,708**	123,157
Unallocated liabilities					**23,073**	3,639
Total liabilities					**271,781**	126,796
Other segment information:						
Capital expenditure	**9,960**	9,252	**3,438**	47,844	**13,398**	57,096
Unallocated capital expenditure					**15,299**	31
					28,697	57,127
Depreciation and amortisation	**4,339**	4,240	**2,861**	–	**7,200**	4,240
Unallocated depreciation and amortisation					**709**	424
					7,909	4,664
Other non-cash expense	**223**	28	**313**	–	**536**	28
Surplus on revaluation recognised directly in equity	**–**	3,561	**–**	–	**–**	3,561

6. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of turnover and other revenue is as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**507,064**	219,043
Other revenue		
Interest income	**3,765**	928
Gross rental income	**736**	–
Other	**3,168**	196
	7,669	1,124

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

		2004	2003
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**245,756**	77,999
Staff costs (excluding directors' remuneration *(note 9)*)			
Wages and salaries		**12,779**	5,874
Retirement scheme contributions		**51**	465
		12,830	6,339
Depreciation	*14*	**6,886**	3,790
Amortisation of intangible assets*	*15*	**1,507**	874
Goodwill amortisation for the year**	*16*	**566**	–
Negative goodwill recognised as income during the year***	*16*	**(1,050)**	–
Auditors' remuneration		**1,500**	1,000
Minimum lease payments under operating leases for land and buildings		**1,716**	1,151
Research and development costs		**1,092**	1,146
Loss on write off/disposal of fixed assets**		**430**	28
Provision for doubtful debts**		**106**	–

7. PROFIT FROM OPERATING ACTIVITIES (Continued)

* The amortisation of intangible assets for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of goodwill, loss on write off/disposal of fixed assets and provision for doubtful debts for the year are included in "Administrative expenses" on the face of the consolidated profit and loss account.

*** The movements in negative goodwill recognised in the consolidated profit and loss account for the year are included in "Administrative expenses" on the face of the consolidated profit and loss account.

8. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**5,102**	3,538
Convertible bonds	**579**	–
Finance lease	**11**	25
	5,692	3,563

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**200**	200
	200	200
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**600**	587
	800	787

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Directors' remuneration (Continued)

The remuneration of each director fell within the nil to HK$1,000,000 band for the years ended 30 June 2003 and 2004.

There was no arrangement under which a director waived or agreed to waive any remunerations during the year (2003: Nil).

During the year ended 30 June 2003, share options carrying the rights to subscribe for a total of 17,000,000 shares in the Company were granted to the directors in respect of their services to the Group, further details of which are set out in note 31(b) to the financial statements. No value in respect of the share options granted during the year ended 30 June 2003 has been charged to the consolidated profit and loss account, or is otherwise included in the above director's remuneration disclosures.

Five highest paid employees

The five highest paid employees during the year included two (2003: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2003: three), non-director, highest paid employees, each of which fell within the nil to HK$1,000,000 band, are set out as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,100**	1,026
Retirement scheme contributions	**55**	29
	1,155	1,055

During the year, no emoluments were paid by the Group to the directors, or the highest paid, non-director employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003: Nil).

10. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to an approval received from 貴州省科學技術廳 on 25 December 2000, GHMM, a subsidiary of the Company, was classified as one of the approved "High and New Technology Enterprises" in Mainland China. Accordingly, GHMM is entitled to a preferential Mainland Corporate Income Tax rate of 15% effective from 1 January 2002.

	2004	2003
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**18,126**	17,186
Share of tax attributable to:		
Jointly-controlled entity	**–**	–
Associate	**–**	–
	–	–
Total tax charge for the year	**18,126**	17,186

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the regions in which the Company and its subsidiaries, an associate and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2004

	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Profit/(loss) before tax	**(10,350)**	**124,707**	**114,357**
Tax at the applicable tax rate	**(1,811)***	**41,153****	**39,342**
Lower tax rate for specific provinces or local authority	**–**	**(22,393)**	**(22,393)**
Income not subject to tax	**–**	**(479)**	**(479)**
Expenses not deductible for tax	**1,811**	**25**	**1,836**
Tax losses utilised from previous year	**–**	**(64)**	**(64)**
Estimated tax losses not recognised	**–**	**(116)**	**(116)**
Tax charge at the Group's effective rate	**–**	**18,126**	**18,126**

10. TAX (Continued)

Group – 2003

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(6,074)	112,293	106,219
Tax at the applicable tax rate	(1,063)*	37,057**	35,994
Lower tax rate for specific provinces or local authority	–	(19,802)	(19,802)
Income not subject to tax	(6)	–	(6)
Expenses not deductible for tax	1,069	–	1,069
Tax losses utilised from previous periods	–	(69)	(69)
Tax charge at the Group's effective rate	–	17,186	17,186

* The standard Hong Kong profits tax rate is 17.5% for the year ended 30 June 2004 (2003: 17.5%).

** The standard Mainland China corporate income tax rate is 33% .

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 30 June 2004 dealt with in the financial statements of the Company, was HK$13,975,000 (2003:HK$12,749,000) *(note 32(b))*.

12. DIVIDENDS

	2004 ***HK$'000***	2003 *HK$'000*
Proposed final – HK2 cents (2003: HK2 cents per ordinary share)	**13,167**	12,411

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share, on a consolidated basis, is based on the net profit from ordinary activities attributable to shareholders for the year of HK$95,017,000 (2003: HK$85,883,000) and the weighted average of 631,962,798 (2003: 525,244,384) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 30 June 2003 includes the pro forma issued share capital of the Company, comprising the 1,000,000 shares issued nil paid on incorporation of the Company, the 1,000,000 shares issued as consideration for the acquisition of the entire issued share capital of IFL, the capitalisation issue of 466,600,000 shares as further detailed in note 30 to the financial statements and the weighted average of the 99,400,000 shares issued upon the listing of the Company's shares on 10 December 2002.

The calculation of diluted earnings per share is based on the adjusted net profit from ordinary activities attributable to shareholders for the year of HK$95,596,000 (2003: HK$85,883,000) and on 660,899,637 (2003: 525,901,918) ordinary shares outstanding during the year, adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

A reconciliation of the earnings and the weighted average number of shares used in calculating the basic and diluted earnings per share is as follows:

	2004	2003
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to shareholders used in basic earnings per share calculation	**95,017**	85,883
Effects of dilutive convertible bonds	**579**	–
Adjusted net profit attributable to shareholders used in diluted earnings per share calculation	**95,596**	85,883

13. EARNINGS PER SHARE (Continued)

Shares

	Number of shares	
	2004	2003
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**631,962,798**	525,244,384
Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all pre-initial public offering ("IPO") share options outstanding during the year *(note 31(a))*	**5,840,274**	657,534
Assumed issued at no consideration on deemed exercise of all post-IPO share options outstanding during the year *(note 31(b))*	**7,247,036**	–
Assumed issued at no consideration on deemed exercise of all the subscription rights attached to convertible bonds outstanding during the year *(note 31(c))*	**218,510**	–
Assumed issued at no consideration on deemed exercise of all convertible bonds outstanding during the year *(note 28)*	**15,631,019***	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**660,899,637**	525,901,918

* As further explained in note 28 to the financial statements, the convertible bonds are convertible at a conversion price to be calculated in accordance with a pre-determined formula. The weighted average number of ordinary shares in respect of the deemed exercise of all convertible bonds was assumed to be converted at HK$1.4879 per ordinary share.

14. FIXED ASSETS

Group

	Medium term leasehold land and buildings outside Hong Kong	Leasehold improvements	Plant and machinery	Furniture, fixtures, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At beginning of year	71,187	877	29,649	8,321	110,034
Additions	18,090	3,662	423	6,509	28,684
Acquisition of subsidiaries *(note 33(a))*	–	457	–	1,116	1,573
Disposal	–	–	–	(772)	(772)
At 30 June 2004	89,277	4,996	30,072	15,174	139,519
Analysis of cost or valuation:					
At cost	18,090	4,996	30,072	15,174	68,332
At valuation	71,187	–	–	–	71,187
	89,277	4,996	30,072	15,174	139,519
Accumulated depreciation:					
At beginning of year	–	480	4,233	3,188	7,901
Provided during the year	2,622	366	1,871	2,027	6,886
Disposal	–	–	–	(342)	(342)
At 30 June 2004	2,622	846	6,104	4,873	14,445
Net book value:					
At 30 June 2004	86,655	4,150	23,968	10,301	125,074
At 30 June 2003	71,187	397	25,416	5,133	102,133

14. FIXED ASSETS (Continued)

Certain of the Group's medium term leasehold land and buildings were revalued as at 30 June 2003, by DTZ Debenham Tie Leung Limited, a firm of independent professionally qualified valuers, on a depreciated replacement cost basis. Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$83,482,000 (2003: HK$67,626,000)

In the opinion of the directors, there is no material difference between the carrying value and the fair value of the Group's land and buildings as at 30 June 2004, accordingly, no revaluation of the Group's land and buildings was performed as at 30 June 2004.

Up to the date of this report, for certain of the Group's land and buildings in Mainland China with an aggregate net book value of HK$4,889,000 at 30 June 2004, the obtaining of property certificates was in progress.

At 30 June 2004, the Group's certain land and buildings, and plant and machinery with carrying values of approximately HK$81,534,000 (2003: buildings of HK$71,187,000) and HK$23,968,000 (2003: HK$25,416,000), respectively, were pledged to secure certain banking facilities granted to the Group *(note 26)*.

The net book value of a motor vehicle held under a finance lease included in the total amount of fixed assets at 30 June 2004 amounted to HK$287,000 (2003: HK$459,000).

15. INTANGIBLE ASSETS

Group

	Technical knowhow *HK$'000*	**Deferred development costs** *HK$'000*	**Total** *HK$'000*
Cost:			
At beginning of year	6,949	5,674	12,623
Additions	3,284	–	3,284
At 30 June 2004	10,233	5,674	15,907
Accumulated amortisation:			
At beginning of year	92	2,234	2,326
Provided during the year	729	778	1,507
At 30 June 2004	821	3,012	3,833
Net book value:			
At 30 June 2004	9,412	2,662	12,074
At 30 June 2003	6,857	3,440	10,297

16. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	**Negative goodwill**
	HK$'000	*HK$'000*
Cost:		
At beginning of year	2,559	(37,997)
Acquisition of subsidiaries *(note 33(a))*	1,680	–
At 30 June 2004	4,239	(37,997)
Accumulated amortisation/(recognisation in income):		
At beginning of the year	–	–
Amortisation provided/(recognised as income) during the year	566	(1,050)
At 30 June 2004	566	(1,050)
Net book value:		
At 30 June 2004	3,673	(36,947)
At 30 June 2003	2,559	(37,997)

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**133,700**	133,700
Due from subsidiaries	**102,068**	48,143
	235,768	181,843

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and are repayable on demand.

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Intended Features Limited ("**IFL**")	BVI	US$375,875 Ordinary	100	100	–	Investment holding
Guizhou Hanfang Medicine Manufacture Co., Ltd. ("**GHMM**")	Mainland China	RMB27,000,000	100	–	100	Manufacture and sale of Chinese and western pharmaceutical products, and anti-tumour medicine
Guizhou Hanfang Xifeng Medical Industry Company Limited	Mainland China	RMB3,000,000	95	–	95	Property holding
貴州禾創經營管理有限公司 ("**Guizhou Hechuang**") *(note 1)*	Mainland China	RMB20,000,000	100	–	100	Investment holding
成都禾創藥業有限公司 ("**Chengdu Hechuang**") *(note 2)*	Mainland China	RMB21,000,000 (2003: RMB11,659,653)	100	–	100	Trading of pharmaceutical products, healthcare products, and medical appliances and equipment
深圳市新創生物醫藥創業投資有限公司 ("**SXBPI**")	Mainland China	RMB50,000,000	51	–	51	Investment holding

17. INVESTMENTS IN SUBSIDIARIES (con't)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
湖北康萊醫藥有限公司 ("**Kanglai Medicine**") *(note 3)*	Mainland China	RMB29,000,000	26	–	52	Trading of pharmaceutical products, healthcare products, and medical appliances and equipment

During the year, the Group acquired SXBPI and Kanglai Medicine. Further details of these acquisitions are included in note 33(a) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group during the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

1. Pursuant to an agreement entered into between the Group and the minority equity holder of Guizhou Hechuang, the minority equity holder agreed to waive its 10% entitlement of the results of and its voting right in Guizhou Hechuang in return for an aggregate annual fee of RMB1 commencing from 2003 when Guizhou Hechuang was acquired by the Group. The minority equity holder also confirmed in the agreement that the paid-up capital of Guizhou Hechuang attributable to the minority equity holder was contributed by the Group. Accordingly, the minority equity holder did not share of any assets and results of Guizhou Hechuang.

2. Pursuant to an agreement entered into between the Group and the minority equity holder of Chengdu Hechuang, the minority equity holder agreed to waive its 4.76% entitlement of the results of and its voting right in Chengdu Hechuang in return for an aggregate annual fee of RMB1 commencing from 2003 when Chengdu Hechuang was acquired by the Group. The minority equity holder also confirmed in the agreement that the paid-up capital of Chengdu Hechuang attributable to the minority equity holder was contributed by the Group. Accordingly, the minority equity holder did not share any assets and results of Chengdu Hechuang.

3. Subsequent to the balance sheet date, on 20 October 2004, SXBPI entered into an agreement in respect of the disposal of 10% (equivalent to the Group's effective interest of 5%) of its equity interest in Kanglai Medicine to an independent third party for a consideration of RMB2.9 million. In addition, SXBPI has been offered an option to dispose of its remaining 41.72% in Kanglai Medicine within two years for a consideration of RMB12.1 million, subject to adjustment for future operating results. Pursuant to the agreement, the Group's appointed representatives would retire from the board of directors of Kanglai Medicine. The Group also waived its right to appoint representatives to the board of directors of Kanglai Medicine and its right of voting in Kanglai Medicine. As a result, Kanglai Medicine ceased to be a subsidiary of the Group and would be accounted for as a long term investment from 20 October 2004. The deconsolidation of Kanglai Medicine as a subsidiary of the Group on 20 October 2004 would not result in any significant gain or loss.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2004 HK$'000	2003 HK$'000
Share of net assets	**–**	–

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group	Principal activities
Guizhou Hanfang Medicine Research Co., Ltd. ("**GHMR**")	Corporate	Mainland China	50	Research and development of Chinese and western medicine

In accordance with the joint venture agreement (the "**JV Agreement**") for GHMR, the Group is entitled to share the results of the jointly-controlled entity according to the Group's equity interest therein. In addition, the Group has the right to appoint, and has appointed, two representatives out of the five directors on the board of directors of GHMR.

During the year, the Group did not share any of the losses of GHMR as, according to the JV Agreement, the Group's share of losses of GHMR is limited to its capital contribution to GHMR (2003: Nil).

19. INVESTMENT IN AN ASSOCIATE

	Group 2004 HK$'000	2003 HK$'000
Share of net assets	**468**	–
Goodwill on acquisition	**400**	–
	868	–

19. INVESTMENT IN AN ASSOCIATE (Continued)

The amount of the goodwill remaining in interest in an associate as at 30 June 2004 arising from the acquisition of an associate is as follows:

	Goodwill
	HK$'000
Cost:	
Acquisition of an associate and at 30 June 2004	500
Accumulated amortisation:	
Amortisation provided during the year and at 30 June 2004	(100)
Net book value:	
At 30 June 2004	400

Particulars of the associate are as follows:

Name	**Business structure**	**Place of incorporation/ registration operations**	**Percentage of ownership interest and attributable to the Group**	**Principal activity**
Tengen Lizhu Biotech Co. Limited	Corporate	Hong Kong	33	Dormant

20. LONG TERM DEPOSITS

The long term deposits represent deposits paid in respect of:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Purchases of technical knowhow	**3,745**	6,967
Purchases of plant and machinery	**–**	2,336
	3,745	9,303

21. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**2,790**	3,988
Work in progress	**–**	234
Finished goods	**46,670**	11,184
	49,460	15,406

At the balance sheet date, no inventories were stated at net realisable value (2003: Nil).

22. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 90 days	**131,714**	70,572
91 to 180 days	**54,768**	31,839
181 to 365 days	**11,125**	4,843
	197,607	107,254

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 30 June 2004 was a deposit of approximately HK$46.9 million paid by the Group for the acquisition of 貴陽德昌祥藥業有限公司 ("**DCX**"). Further details are set out in note 37 to the financial statements.

Included in prepayments, deposits and other receivables as at 30 June 2003 were deposits of approximately HK$32.7 million paid by the Group for certain potential investment purposes. These deposits were fully refunded to the Group during the year.

24. CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**271,365**	105,019	**44,806**	20,491
Time deposit	**20,049**	–	**20,049**	–
	291,414	105,019	**64,855**	20,491
Less: Pledged time deposit for long term bank loans	**(20,049)**	–	**(20,049)**	–
Cash and cash equivalents	**271,365**	105,019	**44,806**	20,491

At 30 June 2004, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$226,240,000 (2003: HK$60,260,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 90 days	**64,478**	19,837
91 to 180 days	**11,649**	2,932
181 to 365 days	**4,151**	1,578
Over 1 year	**941**	1,746
	81,219	26,093

26. BANK AND OTHER LOANS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Bank loans:		
Secured	**142,235**	69,982
Unsecured	**738**	879
	142,973	70,861
Bank loans repayable:		
Within one year	**85,074**	52,169
In the second year	**57,899**	18,692
	142,973	70,861
Portion classified as current liabilities	**(85,074)**	(52,169)
Long term portion	**57,899**	18,692

At 30 June 2004, the Group's bank loans were supported by the following:

(a) the pledge of the Group's certain land and buildings, and plant and machinery of HK$86,310,000 (2003: HK$24,900,000) and HK$23,968,000, (2003: HK$25,416,000), respectively;

(b) corporate guarantees executed by the Company and a subsidiary of the Company;

(c) the personal guarantees from Mr. Zhang Peter Y. and Mr. Xu Peng, directors and beneficial shareholders of the Company; and

(d) the pledge of a bank deposit of HK$20,049,000 (2003: Nil).

Details of the covenants undertaken by BEL and a company beneficially owned by a sister of Mr. Zhang are set out under the heading "Disclosures pursuant to Rule 13.21 of the Listing Rules" in the Report of the Directors.

Other loans, which were acquired by the Group through the acquisition of Chengdu Hechuang during the year ended 30 June 2003, were interest-free and secured by certain of the Group's land and buildings of HK$46,287,000. Other loans of HK$12,149,000 were fully settled during the year.

27. FINANCE LEASE PAYABLE

The Group leases its motor vehicle under a finance lease for an initial lease term of four years. This lease is classified as a finance lease and has a remaining lease term of two months.

At 30 June 2004, the total future minimum lease payments under the finance lease and their present values were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**41**	245	**40**	234
In the second year	**–**	41	**–**	40
Total minimum finance lease payments	**41**	286	**40**	274
Future finance charges	**(1)**	(12)		
Total net finance lease payables	**40**	274		
Portion classified as current liabilities	**(40)**	(234)		
Long term portion	**–**	40		

28. CONVERTIBLE BONDS

On 22 July 2003, the Company and Credit Suisse First Boston (Hong Kong) Limited ("**CSFB**"), an independent third party, entered into a subscription agreement in relation to the subscription of unlisted and unsecured redeemable convertible bonds of the Company (the "**Subscription Agreement**").

Under the Subscription Agreement, among other things, (i) the Company agreed to issue and CSFB agreed to purchase convertible bonds of US$50,000 each with an aggregate principal amount of US$3,500,000 (the "**Original Tranche 1 Bonds**"); (ii) the Company granted to CSFB an option to require the Company to issue additional convertible bonds with an aggregate principal amount of up to US$4,500,000 on substantially the same terms as in the Original Tranche 1 Bonds (the "**Additional Tranche 1 Bonds**"); and (iii) CSFB granted to the Company an option during a limited period after the conversion of all the Original Tranche 1 Bonds, to issue and to require CSFB to subscribe and pay for convertible bonds with an aggregate principal amount of up to US$4,000,000 (the "**Tranche 2 Bonds**"). All the convertible bonds bear interest at a rate of 2.5% per annum and are due on 22 July 2006.

28. CONVERTIBLE BONDS (Continued)

On 22 July 2004 and 5 September 2004, the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds of US$3,500,000 (equivalent to approximately HK$27,284,000) and US$4,500,000 (equivalent to approximately HK$35,077,000), respectively, were issued to CSFB.

The unsecured redeemable convertible bonds of the Company are convertible into ordinary shares of HK$0.10 each in the Company at the option of CSFB at a conversion price equal to either (i) HK$1.4879 per share in respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds; a price to be determined by reference to the closing prices of the shares prior to the date on which the Tranche 2 Bonds are issued in respect of the Tranche 2 Bonds, both subject to adjustment; or (ii) at 93% of the average of the closing prices per share for any four consecutive days as selected by CSFB during the 30 consecutive business days immediately prior to the date on which the conversion notice of CSFB is received by the Company in respect of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds.

During the year, certain of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds in the aggregate amount of US$5,500,000 issued to CSFB were converted into 38,552,000 ordinary shares of HK$0.10 each *(note 30(g))*.

Pursuant to the Subscription Agreement, the Company has also granted subscription rights (the "Subscription Rights") to CSFB to subscribe for a further 20% of the number of shares which may fall to be issued by the Company pursuant to the exercise of each of the conversion rights attached to the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds, respectively and the number of the conversion shares which may fall to be issued shall be calculated on the basis of a base price determined with reference to the average closing price per share of the Company for certain number of days prior to the day on which the Original Tranche 1 Bonds were issued (in respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds) and on the day on which the Tranche 2 Bonds will be issued (in respect of the Tranche 2 Bonds). The subscription price is HK$1.3094 per share for each of the shares to be subscribed for under the Subscription Rights in respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds. None of the Subscription Rights have not been exercised by CSFB as at the date of this report.

The exercise in full of the Subscription Rights (excluding those relating to the Tranche 2 Bonds) would result in the issue of 10,484,750 additional shares of the Company.

As at 30 June 2004, an aggregate principle amount of convertible bonds of US$2,500,000 (equivalent to HK$19,495,000) remained outstanding.

Further details of the unsecured redeemable convertible bonds are set out in the press announcements of the Company dated 22 July 2003, 8 August 2003 and 5 September 2003.

29. DEFERRED TAX

The movement in deferred tax liabilities in respect of the revaluation of land and buildings during the year is as follows:

	2004	2003
	HK$'000	*HK$'000*
		(Restated)
At 1 July		
As previously reported	**–**	–
Prior year adjustment:		
SSAP 12 – restatement of deferred tax	**1,175**	–
As restated	**1,175**	–
Deferred tax debited to equity during the year	**–**	1,175
As 30 June	**1,175**	1,175

The Group has no tax losses available for offsetting against future taxable profits.

At 30 June 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year, as further explained in note 3 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 30 June 2003 by HK$1,175,000 arising from a revaluation on the fixed assets for the year ended 30 June 2003. As a consequence, the consolidated revaluation reserve at 1 July 2003 has been reduced by HK$1,116,000 (after minority interests), as detailed in the consolidated statement of changes in equity.

30. SHARE CAPITAL

Shares

	Company	
	2004	2003
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2003: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
656,302,000 (2003: 568,000,000) ordinary shares of HK$0.10 each	**65,630**	56,800

The following movements in the Company's authorised and issued share capital took place during the years ended 30 June 2003 and 2004:

(a) On 20 September 2002, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000 by the creation of a further 1,000,000 shares of HK$0.10 each. On 25 November 2002, the authorised share capital of the Company was further increased from HK$200,000 to HK$200,000,000 by the creation of a further 1,998,000,000 shares of HK$0.10 each.

(b) On 20 September 2002, as part of the Group Reorganisation detailed in note 2 to the financial statements, the Company issued an aggregate of 1,000,000 shares of HK$0.10 each, credited as fully paid to the former shareholders of IFL, in partial consideration for the acquisition of the entire issued share capital of IFL. The excess of the fair value of the shares of IFL, determined on the basis of the consolidated net asset value of IFL and its then subsidiaries at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK$133,600,000, was credited to the Company's share premium account as set out in note 33(b) to the financial statements.

(c) On 20 September 2002, an amount of HK$100,000, being a portion of the amount credited to the share premium account of the Company on the issue of shares in exchange for the shares of IFL as set out in (b) above, was applied to pay up in full at par the 1,000,000 shares allotted and issued nil paid on 28 August 2000.

30. SHARE CAPITAL (Continued)

Shares (Continued)

(d) On 5 December 2002, the Company allotted and issued 466,600,000 shares to the holders of the shares whose names appeared on the register of members of the Company on 25 November 2002, in proportion to their then holdings, by way of the capitalisation of the sum of HK$46,660,000 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the Company's new shares issued to the public.

(e) On 5 December 2002, 99,400,000 shares of HK$0.10 each were issued to the public and institutional investors at a price of HK$0.77 per share for a total cash consideration, before related issue expenses, of HK$76,538,000.

(f) On various dates during the year ended 30 June 2004, a total of 48,000,000 shares and 1,750,000 shares in the Company of HK$0.10 each were allotted and issued pursuant to the exercise of pre-IPO share options and post-IPO share options at subscription prices of HK$0.77 per share *(note 31(a))* and HK$1.19 per share *(note 31(b))*, respectively, for a total cash consideration, before expenses, of HK$39,042,000.

(g) On various dates during the year ended 30 June 2004, certain of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds in the aggregate amount of US$5,500,000 issued to CSFB were converted into 38,552,000 ordinary shares of HK$0.10 each.

30. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the transactions during the year with reference to the above movements in the Company's authorised and issued share capital is as follows:

	Notes	**Number of authorised shares** *('000)*	**Number of issued shares** *('000)*	**Nominal value of shares issued** *HK$'000*
At 1 July 2002		1,000	1,000	–
Increase in authorised share capital	*(a)*	1,999,000	–	–
On acquisition of IFL:				
Shares issued as consideration	*(b)*	–	1,000	100
Application of share premium to pay up nil paid shares	*(c)*	–	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company to be credited as a result of the Company's shares offered to the public	*(d)*	–	466,600	–
New issue on public listing	*(e)*	–	99,400	9,940
Capitalisation of the share premium account as set out above	*(d)*	–	–	46,660
At 30 June 2003 and 1 July 2003		2,000,000	568,000	56,800
Shares issued upon exercise of share options	*(f)*	–	49,750	4,975
Shares issued upon conversion of convertible bonds	*(g)*	–	38,552	3,855
At 30 June 2004		2,000,000	656,302	65,630

30. SHARE CAPITAL (Continued)

Shares (Continued)

Subsequent to the balance sheet date, certain convertible bonds were converted into 2,040,000 shares of the Company of HK$0.10 each.

As a result of the above subsequent event, the issued share capital of the Company increased to HK$65,834,000 comprising 658,342,000 ordinary shares of HK$0.10 each.

Share options

Further details of the Company's share option schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

The particulars of the Company's pre-IPO share option and post-IPO share option schemes are disclosed below:

(a) Pre-IPO share options

The pre-IPO share options were granted to certain minority shareholders of IFL (the "Private Investors") prior to the Group Reorganisation and the listing of the Company's shares on the Stock Exchange in order to recognise their significant contribution to the Group.

On 20 September 2002, the Company granted pre-IPO share options to the Private Investors at a consideration of HK$1 paid by each of them which would entitle them to subscribe for a total of 48,000,000 shares of the Company. The subscription price for the shares under the pre-IPO share options is equal to the offer price of HK$0.77 per share in connection with the listing of the Company's shares on the Stock Exchange. The exercise price of the pre-IPO share options is subject to adjustment if the shares in the Company by reason of any consolidation or subdivision have a different nominal amount. The pre-IPO share options are exercisable during a period of one year commencing from 11 June 2003, six months from the date of commencement of dealings in the shares on the Stock Exchange.

All pre-IPO share options were exercised by the Private Investors during the year which resulted in the issue of 48,000,000 additional ordinary shares of the Company and additional share capital of HK$4,800,000 and share premium of HK$32,160,000 (before issue expenses) *(notes 30(f) and 33(b))*.

31. SHARE OPTION SCHEMES (Continued)

(b) Post-IPO share options scheme

The Company operates a post-IPO share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons who provide research, development and technological support to the Group, minority shareholders of the Company's subsidiaries and advisers to the business development of the Group. The Scheme became effective on 25 November 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from 25 November 2002, the date on which the Scheme was conditionally adopted.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options to be granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date of acceptance of the grant of options and ends on a date which is not later than 10 years from the date of the grant of the share options.

31. SHARE OPTION SCHEMES (Continued)

(b) Post-IPO share options scheme (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

The post-IPO share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following post-IPO share options were outstanding under the Scheme during the year:

	Number of Post-IPO share options					Exercise	Price of the Company's shares at the	Price of the Company's shares at the
Name or category of participants	At 1 July 2003	Exercised during the year	At 30 June 2004	Date of grant of post-IPO share options	Exercise period of post-IPO share options	price of share options*	date of grant of options**	date of exercise of options**
						HK$	HK$	HK$
Directors								
Executive								
Mr. Zhang Peter Y.	500,000	–	500,000	16 May 2004	16 May 2003 to 15 May 2005	1.19	1.19	–
Mr. Xu Peng	500,000	–	500,000	16 May 2004	16 May 2003 to 15 May 2005	1.19	1.19	–
Mr. Deng Jie	5,000,000	–	5,000,000	16 May 2004	16 May 2003 to 15 May 2005	1.19	1.19	–
Mr. Long Xian Feng	5,000,000	–	5,000,000	16 May 2004	16 May 2003 to 15 May 2005	1.19	1.19	–
Mr. Wu Xian Peng	5,000,000	–	5,000,000	16 May 2004	16 May 2003 to 15 May 2005	1.19	1.19	–
Independent non-executive								
Professor Kung Hsiang-Fu	500,000	(250,000)	250,000	16 May 2003	16 May 2003 to 15 May 2005	1.19	1.19	1.76
Professor Tso Wung-Wai	500,000	(500,000)	–	16 May 2003	16 May 2003 to 15 May 2005	1.19	1.19	1.75

31. SHARE OPTION SCHEMES (Continued)

(b) Post-IPO share options scheme (Continued)

Name or category of participants	Number of Post-IPO share options: At 1 July 2003	Exercised during the year	At 30 June 2004	Date of grant of post-IPO share options	Exercise period of post-IPO share options	Exercise Price of share options* HK$	Price of the Company's share at the date of giant of options** HK$	Price of the Company's share at the date of exercise of options** HK$
Other employees ***								
In aggregate	25,100,000	–	25,100,000	16 May 2003	16 May 2003 to 15 May 2005	1.19	1.19	–
Others								
In aggregate	14,500,000	(1,000,000)	13,500,000	16 May 2003	16 May 2003 to 15 May 2005	1.19	1.19	1.75
	56,600,000	(1,750,000)	54,850,000					

* The exercise price of the post-IPO share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as the date of the grant of the post-IPO share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

*** Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57, Laws of Hong Kong).

The post-IPO share options exercised during the year resulted in the issue of 1,750,000 ordinary shares of the Company of HK$0.10 each and new share capital of HK$175,000 and share premium of HK$1,907,500 (before issue expenses), as detailed in note 30(f) to the financial statements.

31. SHARE OPTION SCHEMES (Continued)

(b) Post-IPO share options scheme (Continued)

At the balance sheet date, the Company had 54,850,000 share options outstanding under the Scheme, which represented approximately 8.4% of the Company's shares in issue as at that date. The exercise in full of the post-IPO share options would, under the present capital structure of the Company, result in the issue of 54,850,000 additional ordinary shares of the Company and additional share capital of HK$5,485,000 and share premium of HK$59,786,500 (before issue expenses).

(c) Subscription rights attaching to the convertible bonds

As detailed in note 28 to the financial statements, the Company has also granted Subscription Rights to CFSB.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 33 and 34 of the financial statements.

The share premium account of the Group includes shares issued at a premium; and the difference between the nominal value of the aggregate share/registered capital of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

In accordance with regulations in Mainland China, each of the Group's subsidiaries in Mainland China is required to transfer part of its profits after tax to its statutory reserve fund, until the reserve reaches 50% of the registered capital, before profit distributions are made. The statutory reserve funds are non-distributable. The amount of transfer is subject to the approval of the boards of directors of these companies in accordance with their articles of association.

32. RESERVES (Continued)

(b) Company

		Reserves				
	Notes	Share premium account HK$'000	Retained profits HK$'000	Sub-total HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance at 1 July 2002		–	–	–	–	–
Arising on acquisition of IFL	*30(b)*	133,600	–	133,600	–	133,600
Applied in payment of 1,000,000 ordinary shares allotted nil paid on incorporation	*30(c)*	(100)	–	(100)	–	(100)
Capitalisation on issue of shares	*30(d)*	(46,660)	–	(46,660)	–	(46,660)
Issue of shares to public	*30(e)*	66,598	–	66,598	–	66,598
Share issue expenses		(21,761)	–	(21,761)	–	(21,761)
Net profit for the year		–	12,749	12,749	–	12,749
Proposed final dividend		–	(12,411)	(12,411)	12,411	–
At 30 June 2003 and 1 July 2003		131,677	338	132,015	12,411	144,426
Final 2003 dividend declared	*12*	–	–	–	(12,411)	(12,411)
Issue of shares upon exercise of share options	*30(f)*	34,067	–	34,067	–	34,067
Issue of shares upon conversion of convertible bonds	*30(g)*	39,011	–	39,011	–	39,011
Share issue expenses		(4,361)	–	(4,361)	–	(4,361)
Net profit for the year		–	13,975	13,975	–	13,975
Proposed final dividend	*12*	–	(13,167)	(13,167)	13,167	–
At 30 June 2004		200,394	1,146	201,540	13,167	214,707

The share premium account of the Company includes shares issued at a premium; and the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the Group Reorganisation.

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Notes	2004 HK$'000	2003 HK$'000
Net assets acquired:			
Fixed assets	14	**1,573**	47,844
Inventories		**24,593**	8,640
Accounts receivable		**7,706**	30,695
Prepayments, deposits and other receivables		**21,214**	2,362
Cash and bank balances		**37,927**	2,367
Accounts payable		**(33,163)**	(21,069)
Accrued liabilities and other payables		**(2,805)**	(2,444)
Bank loans	26	**(477)**	(879)
Other loans	26	**–**	(12,149)
Minority interests		**(34,416)**	–
		22,152	55,367
Goodwill/(negative goodwill) on acquisition	16	**1,680**	(37,997)
		23,832	17,370
Satisfied by:			
Cash		**23,832**	17,370

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004 HK$'000	2003 HK$'000
Cash consideration	**(23,832)**	(17,370)
Cash and bank balances acquired	**37,927**	2,367
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**14,095**	(15,003)

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

In October 2003, the Group acquired 51% interest in SXBPI from an independent third party. SXBPI is an investment holding company established in Mainland China which held 51.72% interest in Kanglai Medicine at the time of acquisition. The principal activity of SXBPI is investment holding. Kanglai Medicine is engaged in the trading of pharmaceutical products, healthcare products, and medical appliances and equipment.

Since their acquisition, SXBPI and Kanglai Medicine contributed HK$124,981,000 to the Group's turnover and HK$1,480,000 to the consolidated profit after tax and before minority interests for the year ended 30 June 2004.

The subsidiaries acquired in the prior year did not have significant impact on the Group's consolidated turnover or profit after tax for the year ended 30 June 2003.

(b) Major non-cash transactions

(i) As further detailed in note 28 to the financial statements, during the year, 38,552,000 shares of the Company had been allotted and issued upon conversion of the convertible bonds and did not result in any cash flow.

(ii) During the year, long term deposits of HK$3,271,000 paid by the Group in previous years were transferred to the intangible assets account and did not result in any cash flow.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its leasehold land and buildings under operating lease arrangements, with leases negotiated for terms of one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As 30 June 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**707**	–
In the second to fifth years, inclusive	**1,260**	–
	1,967	–

34. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from four to ten years.

At 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**645**	–
In the second to fifth years, inclusive	**2,708**	–
After five years	**1,947**	–
	5,300	–

35. COMMITMENTS

As at the balance sheet date, the Group had contracted commitments of HK$3,049,000 (2003: HK$3,099,000) in respect of the purchase of technical knowhow.

The Company had no significant commitments as at 30 June 2004 (2003: Nil).

36. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties.

During the year ended 30 June 2004, a banking facilities of HK$50,000,000 was granted to GHMM, as the security for which the Company provided a guarantee of up to 96.65% of the obligations and liabilities of GHMM under the banking facilities. Details of the securities arrangement in respect of the banking facilities are set out in note 26 to the financial statements and under the heading "Disclosures pursuant to Rule 13.21 of the Listing Rules" in the Report of the Directors.

37. POST BALANCE SHEET EVENTS

In addition to those events disclosed elsewhere in these financial statements, the Group had the following post balance sheet events:

(a) On 4 October 2004, IFL, a wholly owned subsidiary of the Company, entered into two separate equity transfer agreements with 深圳市東斯隆企業管理顧問有限責任公司 ("**DSL**") and 貴陽德昌祥藥業有限公司工會 ("**DCXLU**") respectively, pursuant to which (i) IFL has agreed to acquire and DSL has agreed to sell 58.4% of the equity interest in DCX, for a consideration of RMB50 million (equivalent to approximately HK$46.7 million); and (ii) IFL has agreed to acquire and DCXLU has agreed to sell 22.0% of the equity interest in DCX, for a consideration of approximately RMB18,823,000 (equivalent to approximately HK$17.6 million). Completion of the equity transfer agreements requires the fulfilment of certain conditions within three months from 4 October 2004.

(b) On 16 September 2004, a loan agreement (the "**Loan Agreement**") was entered between the Company and certain financial institutions for a loan facility of up to HK$100,000,000. The Loan Agreement provides that so long as there remains any amounts outstanding under the Loan Agreement: (1) Mr. Zhang Peter Y. the chairman of the board of directors of the Company ("**Mr. Zhang**"), shall continue to be the chairman and (save and except Bull's-Eye Limited, the major shareholder of the Company) the person with the single largest attributable shareholding in the Company; (2) Mr. Xu Peng, a director of the Company, shall continue to be a director of the Company and (save and except Bull's-Eye Limited) the person with the second single largest attributable shareholding in the Company; and (3) Mr. Zhang Peter Y. and Mr. Xu Peng shall collectively maintain, directly or indirectly, not less than 35% of the issued share capital of the Company, free from any encumbrances and shall collectively deposit not less than 35% of the issued share capital of the Company with a custodian acceptable to the majority lenders.

38. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 October 2004.