

Financial Data and Financial Highlights

DETAILS OF RESULTS OF THE COMPANY AND ITS SUBSIDIARIES (COLLECTIVELY THE “GROUP”) FOR THE YEAR ENDED 31 DECEMBER 2003

Extracted from the accounts prepared in accordance with PRC accounting standards and systems:

Items	2003 <i>RMB'000</i>
Total profit	284,773
Net profit	139,795
Net profit after non-operating items (note)	144,460
Profit from principal operations	1,372,714
Profit from other operations	43,332
Operating profit	296,060
Income from investments	2,715
Government grants and subsidies	276
Net non-operating results	(14,278)
Net cash inflows from operating activities	(6,830)
Net increase in cash and cash equivalents	(201,038)

Note: Non-operating items included:

	<i>RMB'000</i>
<i>Losses on disposal of long-term equity investment</i>	3,015
<i>Government grants and subsidies</i>	276
<i>Gain from short-term investments</i>	738
<i>Net non-operating results</i>	2,232
<i>Non-operating expenses after deducting assets impairment</i>	10,328
<i>Reversal of assets impairment provided in the previous years</i>	3,490
<i>Income tax adjustment</i>	1,942

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Differences between the accounts of the Company and the Group for the year ended 31 December 2003 prepared in accordance with PRC accounting standards and systems and the accounting principles generally accepted in Hong Kong (“HK GAAP”):

	Group		Company	
	As at 31 December 2003 RMB'000	As restated As at 31 December 2002 RMB'000	As at 31 December 2003 RMB'000	As restated As at 31 December 2002 RMB'000
Net assets under PRC accounting standards and systems	2,429,476	2,335,583	2,432,159	2,332,111
Provision for bad debts	—	(26,067)	—	—
Intangible assets capitalised	58,571	69,017	1,458	1,701
Difference on fixed assets revaluation	132,808	134,783	—	—
Overprovision of research and development cost	—	4,228	—	—
Provision for employee benefits	(66,782)	(71,762)	—	—
Deferred taxation	12,708	26,590	—	—
Reversal of payables write-off	—	(5,144)	—	—
Difference in minority interests	(15,364)	(13,148)	—	—
Reversal from net assets attributable to subsidiaries	—	—	(221,905)	(165,539)
Net assets under HK GAAP	<u>2,551,417</u>	<u>2,454,080</u>	<u>2,211,712</u>	<u>2,168,273</u>
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Net profit under PRC accounting standards and systems	139,795	158,478	143,516	151,794
Amortisation of intangible assets capitalised	(10,446)	(10,446)	—	—
Additional depreciation on revalued fixed assets	(1,975)	(1,975)	(243)	(243)
Research and development cost undercharged	(4,228)	(8,530)	—	—
Government subsidies recognised as income	290	3,600	—	—
Reversal/(provision) of employee benefits	4,980	(71,762)	—	—
Deferred taxation (charged)/credited	(13,882)	30,341	—	—
Provision for staff bonus and welfare fund	(2,507)	(2,144)	—	—
Reversal of bad debt provision	26,067	—	—	—
Income arising from dilution of interest in a subsidiary	3,565	—	3,565	—
Payables written-off recognised as income	7,224	—	—	—
Difference in minority interests	(2,216)	3,593	—	—
Reversal of share of results of subsidiaries	—	—	(54,745)	(85,872)
Net profit under HK GAAP	<u>146,667</u>	<u>101,155</u>	<u>92,093</u>	<u>65,679</u>

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PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

1. *Extracted from the accounts prepared in accordance with PRC accounting standards and systems*

Indicators	2003	2002		2001	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Income from principal operations (RMB'000)	6,971,963	5,943,823	5,943,823	5,334,029	5,334,029
Net profit (RMB'000)	139,795	158,478	158,478	146,134	146,134
Total assets (RMB'000)	4,707,039	4,173,194	4,173,194	3,702,113	3,702,113
Shareholders' equity (excluding minority interests) (RMB'000)	2,429,476	2,286,929	2,335,583	2,172,916	2,221,570
Earnings per share (RMB)	0.17	0.20	0.20	0.18	0.18
Net assets per share (RMB)	3.00	2.82	2.88	2.68	2.74
Adjusted net assets per share (RMB)	2.92	2.74	2.80	2.59	2.65
Net cash inflows from operating activities per share (RMB)	(0.01)	0.21	0.21	0.17	0.17
Return on net assets (fully diluted)(%)	5.75	6.93	6.79	6.73	6.58
Return on net assets (weighted average)(%)	5.87	7.04	6.96	7.04	6.96
Return on net assets after deducting non-operating items (weighted average) (%)	6.06	7.20	7.12	7.11	7.02
Ratio of shareholders' equity (excluding minority interests) (%)	51.61	54.80	55.97	58.69	60.00
Gearing ratio (%) (Note)	44.84	41.94	40.78	38.19	36.87

2. *Extracted from the accounts prepared in accordance with HK GAAP*

Indicators	2003	As restated			
		2002	2001	2000	1999
Turnover (RMB'000)	6,973,113	5,943,823	5,334,029	4,222,857	3,454,492
Profit before taxation (RMB'000)	307,829	196,360	205,987	204,572	178,115
Net profit for the year (RMB'000)	146,667	101,155	95,868	135,250	128,688
Total assets (RMB'000)	4,954,091	4,410,210	3,877,969	3,256,426	3,072,057
Total liabilities (RMB'000)	2,402,674	1,956,130	1,469,539	1,657,609	1,593,832
Shareholders' equity (RMB'000)	2,551,417	2,454,080	2,408,430	1,598,817	1,478,225
Earnings per share (RMB)	0.181	0.125	0.119	0.185	0.176
Net assets per share (RMB)	3.15	3.03	2.97	2.18	2.02
Return on net assets (%)	5.75	4.12	3.98	8.46	8.71
Ratio of shareholders' equity (%)	51.50	55.65	62.11	49.10	48.12
Gearing ratio (%) (Note)	48.50	44.35	37.89	50.90	51.88

Note: Gearing ratio is calculated according to the following formula: total liabilities/total assets x 100%

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FINANCIAL INDICATORS AS REQUIRED BY THE INFORMATION DISCLOSURE FOR COMPANIES ISSUING LISTED SECURITIES (NO. 9) PROMULGATED BY THE CHINA SECURITIES REGULATORY COMMISSION (PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS)

	Return on net assets (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit for the Reporting Period				
Profit from principal operations	56.50	57.65	1.69	1.69
Operating profit	12.19	12.43	0.37	0.37
Net profit	5.75	5.87	0.17	0.17
Net profit after deducting non-operating items	5.95	6.06	0.18	0.18

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY DURING THE YEAR

Extracted from the accounts prepared in accordance with PRC accounting standards and systems

Items	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Include: Statutory public welfare fund RMB	Retained earnings RMB	Total equity RMB
Opening balance	810,900,000.00	1,114,334,224.64	336,429,845.16	109,728,912.38	73,918,608.87	2,335,582,678.67
Additions	—	5,237,977.77	80,670,425.74	24,892,774.22	140,471,391.49	226,379,795.00
Deductions	—	—	654,587.83	163,126.19	131,831,503.43	132,486,091.26
Closing balance	<u>810,900,000.00</u>	<u>1,119,572,202.41</u>	<u>416,445,683.07</u>	<u>134,458,560.41</u>	<u>82,558,496.93</u>	<u>2,429,476,382.41</u>

Reasons for change:

1. Addition in capital reserve is mainly due to capital contribution by minority shareholders into Guangzhou Han Fang Contemporary Chinese Medicine Research and Development Co., Ltd. ("Guangzhou Han Fang"), a subsidiary of the Company in April 2003 and government grants related to fixed assets and waived liabilities.
2. Change in surplus reserve is mainly due to the amount transferred from the Group's net profit for the year.

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Extracted from the accounts prepared in accordance with HK GAAP

Items	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2003, as previously reported	810,900	781,134	443,355	160,635	109,729	66,066	83,247	2,455,066
Change in accounting policies - provision for net deferred tax liabilities	—	—	(53,184)	—	—	—	52,198	(986)
Restated as at 1 January 2003	810,900	781,134	390,171	160,635	109,729	66,066	135,445	2,454,080
Profit for the year	—	—	—	—	—	—	146,667	146,667
2002 final dividend paid	—	—	—	—	—	—	(48,654)	(48,654)
Transfers	—	—	7,418	33,978	24,893	21,821	(88,110)	—
Release upon disposal of a subsidiary	—	—	—	(307)	(163)	(206)	—	(676)
As at 31 December 2003	<u>810,900</u>	<u>781,134</u>	<u>397,589</u>	<u>194,306</u>	<u>134,459</u>	<u>87,681</u>	<u>145,348</u>	<u>2,551,417</u>

