

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2004

	Share capital HK\$'000 (note 23)	Share premium HK\$'000	Contributed surplus HK\$'000 (note ii)	Statutory surplus reserve HK\$'000 (note iii)	Enterprise	Exchange fluctuation reserve HK\$'000	Accu- mulated losses HK\$'000	Total HK\$'000
					deve- lopment fund HK\$'000 (note iii)			
At 1 January 2003	285,825	315,215	33,474	957	478	11	(456,950)	179,010
Capital reduction	(280,108)	-	-	-	-	-	280,108	-
Share premium reduction (note iv)	-	(232,515)	-	-	-	-	232,515	-
Exchange fluctuation on translation of overseas subsidiaries	-	-	-	-	-	(417)	-	(417)
Net loss for the year	-	-	-	-	-	-	(52,606)	(52,606)
Reversal of exchange fluctuation reserve on disposal of subsidiaries	-	-	-	-	-	(200)	-	(200)
At 31 December 2003	5,717	82,700	33,474	957	478	(606)	3,067	125,787
Convertible notes issue costs	-	(865)	-	-	-	-	-	(865)
Shares issued on conversion of convertible notes	230	9,660	-	-	-	-	-	9,890
Net loss for the year	-	-	-	-	-	-	(74,328)	(74,328)
At 31 December 2004	5,947	91,495	33,474	957	478	(606)	(71,261)	60,484

Notes:-

- (i) No goodwill/negative goodwill remains eliminated against reserves at the balance sheet date.
- (ii) The Group's contributed surplus is derived from the difference between the nominal value of the Company's shares issued pursuant to the Group reorganisation in 1991 and the nominal value of the shares acquired.
- (iii) In accordance with the Company Law of the PRC and the Articles of Association of a subsidiary, Huayi Pharmaceutical Company Limited ("Huayi"), Huayi shall appropriate ten percent and five percent of its annual statutory net profit (after offsetting any prior years' losses) to the Statutory Surplus Reserve (儲備基金) and Enterprise Development Fund (企業發展基金) respectively.
- (iv) Pursuant to the special resolutions passed on the annual general meeting of the Company held on 30 May 2003, the share premium account of the Company would be reduced by an amount of not more than HK\$315,215,000. The Directors have applied HK\$232,515,000 from the share premium account to set off an equivalent amount of accumulated losses of the Company as at 31 December 2002.