

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Put option reserve RMB'000 (Note c)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note d)	Statutory welfare fund RMB'000 (Note e)	Non- distributable reserve RMB'000 (Note f)	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2005	60,863	–	–	–	–	–	16,321	8,161	12,536	59,008	156,889	7,295	164,184
Capital contributed by the minority owner of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,103	9,103
Profit for the year representing total recognised income and expense for the year	–	–	–	–	–	–	–	–	–	117,288 (28,040)	117,288 (59,146)	(85)	117,203 –
Transfers	–	–	–	–	–	–	11,216	5,608	11,216	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	(59,146)
At 31 December 2005	60,863	–	–	–	–	–	27,537	13,769	23,752	89,110	215,031	16,313	231,344
Profit for the year	–	–	–	–	–	–	–	–	–	119,774	119,774	(383)	119,391
Exchange differences arising on translation of foreign operations and net gain recognised directly in equity	–	–	–	–	–	1,156	–	–	–	–	1,156	–	1,156
Total recognised income and expenses for the year	–	–	–	–	–	1,156	–	–	–	119,774	120,930	(383)	120,547
Issue of shares on incorporation of a subsidiary	80	–	–	–	–	–	–	–	–	–	80	–	80
Arising on acquisition of subsidiaries	(60,863)	–	(67,220)	–	–	–	–	–	–	–	(128,083)	–	(128,083)
Arising on group reorganisation	10,416	–	(10,416)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds	2,304	201,986	–	–	–	–	–	–	–	–	204,290	–	204,290
Capital contributions	–	–	–	53,000	–	–	–	–	–	–	53,000	–	53,000
Arising on acquisition of additional interest of a subsidiary	–	–	(46,470)	–	–	–	–	–	–	–	(46,470)	(15,930)	(62,400)
Arising from put option	–	–	–	–	(140,400)	–	–	–	–	–	(140,400)	–	(140,400)
Transfers	–	–	–	–	–	–	13,769	(13,769)	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	(84,120)	(84,120)	–	(84,120)
	(48,063)	201,986	(124,106)	53,000	(140,400)	–	13,769	(13,769)	–	(84,120)	(141,703)	(15,930)	(157,633)
At 31 December 2006	12,800	201,986	(124,106)	53,000	(140,400)	1,156	41,306	–	23,752	124,764	194,258	–	194,258

Notes:

- (a) Special reserve represents the aggregate of:
- the difference between the consideration paid by Wuyi International Pharmaceutical Investment Company Limited ("Wuyi BVI") for the acquisition of the entire interest in 福建三愛藥業有限公司 Fujian Sanai Pharmaceutical Co., Ltd. ("Fujian Sanai") and Cyberstop Profits Limited ("Cyberstop") and the nominal value of paid-in capital of Fujian Sanai and Cyberstop;
  - the difference between the nominal amount of the shares issued by the Company and the amount of share capital of Wuyi BVI pursuant to the group reorganisation in preparation for the listing of the Company's shares in 2006; and
  - the difference between the consideration paid for the acquisition of additional interests in 福州三愛藥業有限公司 Fuzhou Sanai Pharmaceutical Co., Ltd. ("Fuzhou Sanai") and the carrying values of the underlying net assets attributable to the additional interests in Fuzhou Sanai.
- (b) Capital reserve represents the capital contributions from Mr. Lin Qing Ping, a Director and shareholder of the Company and 福州宏宇包裝工業有限公司 Fuzhou Hongyu Packing Co., Ltd., ("Fuzhou Hongyu") a company controlled by Mr. Lin Ou Wen, a Director of the Company.
- (c) The put option reserve represents the recognition of the obligation of a put option written by the Company to the shareholders in respect of the shares issued upon the conversion of the convertible bonds. Details of the convertible bonds and the put option liability are set out in note 22.
- (d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of Directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (e) The statutory welfare fund, which is to be used for the welfare of the staff and workers of Fujian Sanai, is of a capital nature. In accordance with the latest PRC relevant laws and regulations, the unutilised statutory welfare fund as at 31 December 2005 is required to transfer to statutory surplus reserve in 2006.
- (f) In accordance with the Articles of Association of Fujian Sanai, Fujian Sanai may appropriate funds to non-distributable reserve with the discretion of the board of Directors. According to the Articles of Association of Fujian Sanai, the non-distributable reserve can be used to (i) make up prior year losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting; (iii) expand production operation.