

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Share capital HK\$'000	Share premium account HK\$'000	Merger reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	1,000	-	-	-	(262)	710	43,104	44,552
Exchange gain on translation of overseas operations	-	-	-	-	711	-	-	711
Revaluation increase on land and buildings	-	-	-	25,234	-	-	-	25,234
Release of revaluation reserve	-	-	-	(552)	-	-	552	-
Deferred tax liability arising on revaluation of property	-	-	-	(7,730)	-	-	-	(7,730)
Net gain not recognised in the consolidated income statement	-	-	-	16,952	711	-	552	18,215
Merger reserve arising on the Group Reorganisation (as defined in Note 1)	(800)	-	800	-	-	-	-	-
Proceeds from issue of shares through initial public offering	8,400	71,400	-	-	-	-	-	79,800
Share issue expenses	-	(13,979)	-	-	-	-	-	(13,979)
Capitalisation of share premium for issue of shares	25,000	(25,000)	-	-	-	-	-	-
Profit for the year (restated)	-	-	-	-	-	-	25,673	25,673
Dividend paid	-	-	-	-	-	-	(6,720)	(6,720)
At 31 December 2002 (restated)	33,600	32,421	800	16,952	449	710	62,609	147,541
Exchange gain on translation of overseas operations not recognised in the income statement	-	-	-	-	342	-	-	342
Release of revaluation reserve	-	-	-	(510)	-	-	510	-
Net gain (loss) not recognised in the consolidated income statement	-	-	-	(510)	342	-	510	342
Issue of shares for acquisition of Intangible Assets (as defined in note 16) and raw materials	850	11,645	-	-	-	-	-	12,495
Profit for the year	-	-	-	-	-	-	12,095	12,095
Dividends paid	-	-	-	-	-	-	(6,720)	(6,720)
At 31 December 2003	<u>34,450</u>	<u>44,066</u>	<u>800</u>	<u>16,442</u>	<u>791</u>	<u>710</u>	<u>68,494</u>	<u>165,753</u>



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The retained profits of the Group included HK\$3,077,000 (2002: Nil) retained by an associate by the Group.

The merger reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the Group Reorganisation.

Other reserves, consisting of expansion fund and the reserve fund, are provided in accordance with the Articles of Association of a PRC subsidiary.

Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after taxation, prepared in accordance with the PRC statutory requirements, an amount to the reserve fund and expansion fund according to the decision of the Board of Directors or the Articles of Association of the enterprises.

The reserve fund is used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.