

Proforma Combined Statement of Changes in Equity

For the year ended 31 December 2003

	Share premium HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Statutory surplus reserve HK\$'000	Enterprise expansion and general reserve funds HK\$'000	Total HK\$'000
At 1 January 2002	6,060	1,695	51,962	–	12,902	72,619
Profit for the year	–	–	67,346	–	–	67,346
Transfer from retained profits	–	–	(6,030)	–	6,030	–
Dividend paid by a subsidiary for 2002 (note 9)	–	–	(43,936)	–	–	(43,936)
Exchange differences	–	(304)	–	–	–	(304)
At 31 December 2002 and 1 January 2003	6,060	1,391	69,342	–	18,932	95,725
Profit for the year	–	–	90,252	–	–	90,252
Transfer to retained profits upon reversal of over-appropriation in previous years	–	–	14,998	–	(14,998)	–
Transfer from retained profits	–	–	(5,016)	5,016	–	–
Dividend paid by a subsidiary for 2002 (note 9)	–	–	(46,130)	–	–	(46,130)
Exchange differences	–	(120)	–	–	–	(120)
At 31 December 2003	6,060	1,271	123,446	5,016	3,934	139,727
Represented by:						
Company and subsidiaries	6,060	1,271	66,476	5,016	–	78,823
Associated company	–	–	56,970	–	3,934	60,904
At 31 December 2003	6,060	1,271	123,446	5,016	3,934	139,727
Company and subsidiaries	6,060	1,391	43,182	–	–	50,633
Associated company	–	–	26,160	–	18,932	45,092
At 31 December 2002	6,060	1,391	69,342	–	18,932	95,725

The notes on pages 48 to 78 form an integral part of these proforma financial information.

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Notes:

- (a) The share premium account of the Group includes (i) the premium arising from the issue of shares; and (ii) the differences between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation, as set out in note 1(b) to the proforma financial information, over the nominal value of the Shares issued in exchange therefor.
- (b) In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company 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 they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.
- (c) Statutory surplus reserve is set up by Victory Shenzhen, established and operating in the PRC. In accordance with the Company Law of the PRC, Victory Shenzhen is required to allocate 10% of its net profit to the statutory surplus reserve until such reserve reach 50% of the registered capital of Victory Shenzhen. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after capitalisation is not less than 25% of the registered capital.
- (d) Enterprise expansion and general reserve funds represent funds set up by Nanjing Sanlong established and operating in the PRC. Nanjing Sanlong is required to allocate 10% and 5% of its net profit to the enterprise expansion reserve fund and general reserve fund respectively until such funds reach 50% of the registered capital of Nanjing Sanlong. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while general reserve fund may be used for making up losses and increasing capital.

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