

# Statements of Changes in Equity

For the year ended 31 December 2004

	<b>Group</b>						<b>Total</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Statutory surplus reserve</b>	<b>Enterprise expansion and general reserve funds</b>	
	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000 (note d)	HK\$'000 (note e)	HK\$'000
At 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 10)	-	-	-	(46,130)	-	-	(46,130)
Exchange differences	-	-	(120)	-	-	-	(120)
At 31 December 2003 and 1 January 2004	-	6,060	1,271	123,446	5,016	3,934	139,727
Profit for the year	-	-	-	110,815	-	-	110,815
New issue of Shares on public offer and placing	800	187,200	-	-	-	-	188,000
Capitalisation of share premium	3,200	(3,200)	-	-	-	-	-
Share issue expenses	-	(19,402)	-	-	-	-	(19,402)
Transfer from retained profits	-	-	-	(8,310)	8,310	-	-
Dividend paid by a subsidiary for 2003 (note 10)	-	-	-	(42,000)	-	-	(42,000)
Interim dividend paid for 2004 (note 10)	-	-	-	(20,000)	-	-	(20,000)
Exchange differences	-	-	75	-	-	-	75
At 31 December 2004	4,000	170,658	1,346	163,951	13,326	3,934	357,215
Represented by:							
Company and subsidiaries	4,000	170,658	1,346	121,810	13,326	-	311,140
Associated company	-	-	-	42,141	-	3,934	46,075
At 31 December 2004	4,000	170,658	1,346	163,951	13,326	3,934	357,215
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

The notes on pages 38 to 69 form an integral part of these financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2004

	<b>Company</b>			<b>Total</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Retained loss</b>	
	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000
Profit for the year	–	–	14,443	14,443
New issue of Shares on public offer and placing	800	187,200	–	188,000
Capitalisation of share premium	3,200	(3,200)	–	–
Share issue expenses	–	(19,402)	–	(19,402)
Interim dividend paid for 2004 (note 10)	–	–	(20,000)	(20,000)
<b>At 31 December 2004</b>	<b>4,000</b>	<b>164,598</b>	<b>(5,557)</b>	<b>163,041</b>

*Notes:*

- (a) The share premium account of the Group includes (i) the premium arising from the issue of shares of the Company; and (ii) the difference 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 financial statements, over the nominal value of the shares of the Company issued in exchange therefor.
- (b) The share premium account of the Company includes (i) the premium arising from the issue of shares of the Company; and (ii) the difference between the then combined net assets value of the subsidiaries acquired pursuant to the group reorganisation, as set out in note 1(b) to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor.
- (c) 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.
- (d) Statutory surplus reserve is set up by Victory Honest Industries (Shenzhen) Co., Ltd., established and operating in the People's Republic of China. In accordance with the Company Law of the People's Republic of China, Victory Honest Industries (Shenzhen) Co., Ltd. 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 Honest Industries (Shenzhen) Co., Ltd. Subject to certain restrictions set out in the Company Law of the People's Republic of China, 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.
- (e) Enterprise expansion and general reserve funds represent funds set up by Nanjing Sanlong Packaging Co., Ltd. established and operating in the People's Republic of China. Nanjing Sanlong Packaging Co., Ltd. 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 Packaging Co., Ltd. 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.

The notes on pages 38 to 69 form an integral part of these financial statements.