

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital Reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	Statutory surplus reserve fund RMB'000 (note c)	Statutory public welfare fund RMB'000 (note d)	Goodwill RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interest RMB'000	Total RMB'000
At 1 January 2004 as originally stated	400,000	303,272	287,391	10,828	31,708	19,111	(12,473)	(427,250)	612,587	—	612,587
Effect of changes in accounting policies (see Note 2A)	—	—	—	—	—	—	—	—	—	114,913	114,913
At 1 January 2004 as restated	400,000	303,272	287,391	10,828	31,708	19,111	(12,473)	(427,250)	612,587	114,913	727,500
Net loss for the year	—	—	—	—	—	—	—	(61,438)	(61,438)	105	(61,333)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(2,480)	(2,480)
Capital contribution by minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	100	100
Share of reserves of associates	—	—	—	—	65	—	—	—	65	—	65
At 31 December 2004	400,000	303,272	287,391	10,828	31,773	19,111	(12,473)	(488,688)	551,214	112,638	663,852
Effect of changes in accounting policies (see Note 2A)	—	—	—	—	—	—	12,473	(12,473)	—	—	—
At 1 January 2005 as restated	400,000	303,272	287,391	10,828	31,773	19,111	—	(501,161)	551,214	112,638	663,852
Net profit for the year	—	—	—	—	—	—	—	28,255	28,255	(13,089)	15,166
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(2,800)	(2,800)
Acquisition from a minority shareholder	—	—	—	—	—	—	—	—	—	(13,811)	(13,811)
Share of reserves of associates	—	—	1,464	—	12	—	—	—	1,476	—	1,476
Realized on disposal of an associate	—	—	—	—	(6)	—	—	—	(6)	—	(6)
At 31 December 2005	<u>400,000</u>	<u>303,272</u>	<u>288,855</u>	<u>10,828</u>	<u>31,779</u>	<u>19,111</u>	<u>—</u>	<u>(472,906)</u>	<u>580,939</u>	<u>82,938</u>	<u>663,877</u>

In accordance with the Company's Articles of Association, for the purpose of the distribution of profits of the Company, profits available for distribution in relation to a financial year shall be the lesser of the amount calculated according to the People's Republic of China ("PRC") accounting standard and the amount calculated according to the Hong Kong Generally Accepted Accounting Principles. In addition, the profit after tax is required to be distributed in the following orders:

- (i) to offset accumulated losses brought forward;
- (ii) to allocate 10% of the profit after tax calculated in accordance with PRC accounting standards to the statutory surplus reserve fund;
- (iii) to allocate 10% of the profit after tax calculated in accordance with PRC accounting standards to the statutory public welfare fund;
- (iv) to provide discretionary surplus reserve; and
- (v) to pay dividends.

The Company has no reserves available for distribution as at 31 December 2004 and 2005.

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Notes:

a. *Capital reserve*

The amount represents the reserve arising on acquisition of the entire business and undertakings pursuant to the reorganization in 1994. Capital reserve can only be used to increase share capital.

b. *Other reserve*

The amount represents share of other reserve of an associate arising from waiver of amount due to a shareholder of such associate.

c. *Statutory surplus reserve fund*

In accordance with the relevant laws and financial regulations, the Company and its subsidiaries are required to transfer 10% of the profit after tax prepared in accordance with the PRC regulations to the statutory surplus reserve fund every year until the balance reaches 50% of the paid up share capital. Such reserve can be used to reduce any losses incurred and to increase the share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

d. *Statutory public welfare fund*

In accordance with the relevant laws and regulations, the Company and its subsidiaries are required to transfer between 5% to 10% of their profits after tax prepared in accordance with the PRC regulations to the statutory public welfare fund every year. The use of this fund is restricted to capital expenditure on staff collective welfare facilities and such facilities are owned by the Company and subsidiaries. The statutory public welfare fund is not available for distribution to shareholders (except in liquidation). Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve account.