

# Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

	Share capital	Translation reserve	Goodwill reserve	Special reserve (note i)	PRC statutory reserves		Accumulated profits	Total	Minority interests	Total
					(note ii)					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2005	68,640	6,480	(24,509)	238,966	20,266	386,378	696,221	47,834	744,055	
Transfer	-	-	-	-	1,030	(1,030)	-	-	-	
Exchange difference arising on translation of foreign operations	-	17	-	-	-	-	17	-	17	
Net profit for the year	-	-	-	-	-	3,585	3,585	4,641	8,226	
Pre-determined distribution	-	-	-	-	-	-	-	(5,292)	(5,292)	
At 31st December 2005 and 1st January 2006	68,640	6,497	(24,509)	238,966	21,296	388,933	699,823	47,183	747,006	
Transfer	-	-	-	-	614	(614)	-	-	-	
Exchange difference arising on translation of foreign operations	-	17,990	-	-	-	-	17,990	-	17,990	
Net loss for the year	-	-	-	-	-	(73,362)	(73,362)	(39,477)	(112,839)	
Pre-determined distribution	-	-	-	-	-	-	-	(5,610)	(5,610)	
At 31st December 2006	68,640	24,487	(24,509)	238,966	21,910	314,957	644,451	2,096	646,547	

## Notes:

- (i) The special reserve of the Group represents the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of Hua Lien Group (Holding) Company, Limited acquired pursuant to the group reorganisation in 2000.
- (ii) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Group are required to provide for three reserve funds, being a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and incentive bonus fund. Appropriations to such reserve funds are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The staff welfare and incentive bonus fund is reserve for future expenditure on staff welfare and incentive bonus.

The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the consolidated balance sheet under shareholders' funds as PRC statutory reserves; however, the appropriation to staff welfare and incentive bonus fund is charged to consolidated income statement and the unused portion is recorded as a current liability.

- (iii) The joint venture partner of Jiangmen Hua Lien Tannery Co. Ltd. is entitled to a pre-determined distribution throughout the entire cooperative joint venture period. Details of those pre-determined distribution is set out in note 26(c).