



Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital RMB	Share premium RMB	Special reserve RMB (note a)	Statutory surplus reserve RMB (note b)	Statutory public welfare fund RMB (note c)	Discretionary reserve RMB (note d)	Translation reserve RMB	Capital redemption reserve RMB (note e)	Share option reserve RMB	Contribution from shareholders RMB	Retained earnings RMB	Total RMB
At 1 January, 2005	42,400,000	636,000	15,535,611	6,139,673	3,470,799	495,820	58,699	-	-	243,808	54,541,277	123,521,687
Profit for the year and total recognised income and expense for the year	-	-	-	-	-	-	-	-	-	-	9,255,522	9,255,522
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	1,268,354	-	1,268,354
Dividend paid	-	-	-	-	-	-	-	-	-	-	(7,200,000)	(7,200,000)
At 31 December 2005 and 1 January, 2006	42,400,000	636,000	15,535,611	6,139,673	3,470,799	495,820	58,699	-	-	1,512,162	56,596,799	126,845,563
Profit for the year and total recognised income and expense for the year	-	-	-	-	-	-	-	-	-	-	12,357,589	12,357,589
Repurchase of shares	(502,335)	(636,000)	-	-	-	-	-	-	-	-	(871,005)	(2,009,340)
Reclassification of capital redemption reserve	-	-	-	-	-	-	-	502,335	-	-	(502,335)	-
Reclassification of statutory surplus reserve	-	-	-	3,470,799	(3,470,799)	-	-	-	-	-	-	-
Reclassification of translation reserve	-	-	-	-	-	-	(58,699)	-	-	-	58,699	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	1,818,368	436,533	2,254,901
Dividend paid	-	-	-	-	-	-	-	-	-	-	(2,813,160)	(2,813,160)
At 31 December, 2006	41,897,665	-	15,535,611	9,610,472	-	495,820	-	502,335	1,818,368	1,948,695	64,826,587	136,635,553

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For the year ended 31 December 2006

Notes:

- (a) Special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and Beijing Zhizhen Node Technology Development Co., Ltd. 北京直真詳點技術有限公司 (“ZZNode (Beijing)”) and the aggregate of share capital and share premium or net assets of the subsidiaries acquired by the Company and ZZNode Beijing through exchange of shares.
- (b) As stipulated by the relevant laws and regulations in the People’s Republic of China (the “PRC”), the Company’s subsidiaries in the PRC are required to appropriate 10% of their profit after tax each year calculated in accordance with the accounting principles and financial regulations applicable to companies established in the PRC (“PRC GAAP”) to the statutory surplus reserve until the balance reaches 50% of the registered capital. According to the provision of the Articles of Association of the Company’s subsidiaries in the PRC, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into registered capital and expansion of production and operation. For the capitalisation of statutory surplus reserve into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

On 14 January 2004, ZZNode (Beijing) was transformed from a private limited company to a foreign-owned enterprise. Thereafter, ZZNode (Beijing) is no longer required to provide appropriation of 10% of its profit after tax to statutory surplus reserve.

- (c) Pursuant to the PRC Company Law, the Company’s subsidiaries in the PRC shall make allocation from their profit after tax under PRC GAAP at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees’ collective welfare. Subsequent to the transformation of ZZNode (Beijing) to a foreign-owned enterprise on 14 January 2004, appropriation to statutory public welfare fund is no longer required.

With effective from 2006, the Company’s subsidiaries are no longer required to make such allocation and the outstanding statutory public welfare fund was reclassified to statutory surplus reserve.

- (d) Discretionary reserve is a distributable reserve and is appropriated from accumulated profits in accordance with shareholders’ approval. The discretionary reserve can be used for capitalisation into registered capital.
- (e) Capital redemption reserve represents a non-distributable reserve created in accordance with Section 37.4(a) of the Cayman Islands Companies Law when the Company repurchases its own shares out of the retained earnings. The reserve is created by transferring from the retained earnings an amount equivalent to the nominal value of the share repurchased to the capital redemption reserve.