

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2003

	Share Capital RMB'000	Merger Reserve RMB'000	Share Premium RMB'000	Reserve Fund RMB'000	Unaudited Six months ended 30 June 2003		Exchange Reserve RMB'000	Retained profits RMB'000	Total RMB'000
					Enterprise Expansion Fund RMB'000	Staff Welfare Fund RMB'000			
At 1 January 2003	42,450	(11,085)	61,685	13,528	6,764	6,764	(20)	97,615	217,701
Profit for the period	—	—	—	—	—	—	—	34,755	34,755
2002 final dividend	—	—	—	—	—	—	—	(12,740)	(12,740)
Exchange differences	—	—	—	—	—	—	(142)	—	(142)
At June 2003	<u>42,450</u>	<u>(11,085)</u>	<u>61,685</u>	<u>13,528</u>	<u>6,764</u>	<u>6,764</u>	<u>(162)</u>	<u>119,630</u>	<u>239,574</u>

	Share Capital RMB'000	Merger Reserve RMB'000	Share Premium RMB'000	Reserve Fund RMB'000	Unaudited Six months ended 30 June 2002		Exchange Reserve RMB'000	Retained profits RMB'000	Total RMB'000
					Enterprise Expansion Fund RMB'000	Staff Welfare Fund RMB'000			
As at 1 January 2002	31,836	(11,085)	—	5,670	2,835	2,835	—	47,819	79,910
Profit for the period	—	—	—	—	—	—	—	33,218	33,218
2002 interim dividend	—	—	—	—	—	—	—	(7,000)	(7,000)
At June 2002	<u>31,836</u>	<u>(11,085)</u>	<u>—</u>	<u>5,670</u>	<u>2,835</u>	<u>2,835</u>	<u>—</u>	<u>74,037</u>	<u>106,128</u>

A subsidiary of the Group established in the PRC, being a foreign investment enterprise, is required to appropriate an amount from the net profit reported in the statutory accounts to three statutory reserves, namely reserve fund, enterprise expansion fund and staff welfare fund. All these funds are designated for specific purposes.

The reserve fund can only be utilised, with the approval from the relevant authorities, to offset accumulative losses or to increase capital. All foreign-owned and sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after taxation to the reserve fund, until the balance of the fund reaches 50% of the registered capital of the subsidiary. The reserve fund cannot be distributed in the form of cash.

The enterprise expansion fund can only be utilised to increase capital, with the approval from the relevant authorities. The staff welfare fund can only be utilised for the benefit of the employees. These appropriations are made at every year end.