

# Statements of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note i)	Statutory surplus reserve HK\$'000 (Note ii)	Contributed surplus HK\$'000 (Note iii)	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP								
At 1st January, 2003	1,170	–	4,590	9,813	–	20,000	17,726	53,299
Profit attributable to shareholders	–	–	–	–	–	–	42,086	42,086
Transfers	–	–	–	3,828	–	–	(3,828)	–
Dividends (note 11)	–	–	–	–	–	(20,000)	(8,000)	(28,000)
At 31st December, 2003	1,170	–	4,590	13,641	–	–	47,984	67,385
Issue of shares	450	67,050	–	–	–	–	–	67,500
Share issue expenses	–	(14,206)	–	–	–	–	–	(14,206)
Capitalisation	–	(1,170)	–	–	–	–	–	(1,170)
Surplus arising from Group Reorganisation	–	–	1,170	–	–	–	–	1,170
Issue of share on conversion of convertible notes	180	11,820	–	–	–	–	–	12,000
Released on disposal of a subsidiary	–	–	–	(5,209)	–	–	5,209	–
Profit attributable to shareholders	–	–	–	–	–	–	48,594	48,594
Transfer	–	–	–	4,792	–	–	(4,792)	–
Dividends (note 11)	–	–	–	–	–	–	(5,400)	(5,400)
<b>At 31st December, 2004</b>	<b>1,800</b>	<b>63,494</b>	<b>5,760</b>	<b>13,224</b>	<b>–</b>	<b>–</b>	<b>91,595</b>	<b>175,873</b>
THE COMPANY								
Issue of shares at premium	450	67,050	–	–	–	–	–	67,500
Share issue expenses	–	(14,206)	–	–	–	–	–	(14,206)
Capitalisation	1,170	(1,170)	–	–	–	–	–	–
Contributed surplus arising from Group Reorganisation	–	–	–	–	67,385	–	–	67,385
Issue of share on conversion of convertible notes	180	11,820	–	–	–	–	–	12,000
Loss attributable to shareholders	–	–	–	–	–	–	(1,481)	(1,481)
<b>At 31st December, 2004</b>	<b>1,800</b>	<b>63,494</b>	<b>–</b>	<b>–</b>	<b>67,385</b>	<b>–</b>	<b>(1,481)</b>	<b>131,198</b>

Notes:

**(i) Special reserve**

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on the basis that the Group Reorganisation had been effected on 24th June, 2004.

**(ii) Statutory surplus reserve**

As stipulated by the relevant PRC laws and regulations, when distributing the net profit of each year, the Group shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund. The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.

**(iii) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a Group Reorganisation during the year.**

In addition to accumulated profits, under the Company's Law (Revised) of the Cayman Islands, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders consisted of contributed surplus and accumulated losses totalling approximately HK\$65,904,000.