

Consolidated Cash Flow Statement

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For the year ended 31st December 2005

		2005	As restated 2004
	Note	HK\$'000	HK\$'000
Operating activities			
Cash (used in)/generated from operations	a	(13,424)	13,665
Tax paid		(10,103)	(10,162)
Net cash (used in)/generated from operating activities		(23,527)	3,503
Investing activities			
Purchase of property, plant and equipment		(22,404)	(14,705)
Construction in progress		(41,414)	(19,187)
Proceeds on disposal of property, plant and equipment		630	1,890
Proceeds on disposal of investment properties		28,185	–
Purchase of a subsidiary, net of cash acquired	b	–	578
Proceeds on disposal of investment securities		–	141
Proceeds on disposal of financial assets held for trading		3,147	–
Proceeds on disposal of a joint venture		7,692	–
Repayment of finance lease receivables		1,346	1,744
Interest received		1,165	1,118
Dividends received from an associate		891	462
Dividends received from joint ventures		17,925	5,537
Dividends received from an available-for-sale financial asset		17	–
Net cash used in investing activities		(2,820)	(22,422)
Financing activities			
New shares issued		278	–
New bank loans		40,690	21,904
Repayment of bank loans		–	(4,040)
Repayment of other long-term liabilities		(390)	(390)
Interest paid		(3,578)	(884)
Dividends paid		–	(5,618)
Net cash generated from financing activities		37,000	10,972
Net increase/(decrease) in cash and cash equivalents		10,653	(7,947)
Cash and cash equivalents at the beginning of the year		76,965	84,687
Effect of foreign exchange rate changes		(539)	225
Cash and cash equivalents at the end of the year		87,079	76,965
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	26	83,738	74,375
Short-term bank deposits	26	3,341	2,590
		87,079	76,965

For the year ended 31st December 2005

a. Reconciliation of profit before taxation to cash (used in)/generated from operations

	2005	As restated 2004
	HK\$'000	HK\$'000
Profit before taxation	45,299	11,519
Depreciation of property, plant and equipment	39,932	34,275
Amortisation of leasehold land and land use rights	408	236
Net loss on disposal of property, plant and equipment	92	369
Loss/(gain) on disposal of investment properties	470	(313)
Share of losses/(profits) of		
– an associate	69	(1,596)
– joint ventures	(24,343)	(22,449)
Surplus on revaluation of investment properties	(15,648)	(595)
Impairment of property, plant and equipment	–	175
Impairment of inventories	6,423	4,391
Impairment of construction in progress	4,470	786
Gain on disposal of financial assets held for trading	(17)	–
Gain on disposal of investment securities	–	(37)
Gain on disposal of a joint venture	(7,692)	–
Write-off of an available-for-sale financial asset	114	–
Gain on liquidation of an available-for-sale financial asset	(21,084)	–
Employee share options expenses	176	–
Dividend income from an available-for-sale financial asset	(17)	–
Interest expenses	3,578	1,203
Interest income	(1,165)	(1,118)
Negative goodwill recognised as income	–	(317)
Amortisation of goodwill	–	1,680
Reversal of impairment of investments in joint ventures	–	(4,803)
Operating profit before working capital changes	31,065	23,406
Increase in inventories	(30,978)	(25,673)
Increase in trade and other receivables	(45,849)	(12,582)
Increase in trade and other payables	45,453	30,309
Increase in amounts due by an associate	(781)	(393)
(Increase)/decrease in amounts due by joint ventures	(11,479)	14
Decrease in amounts due from other investments	–	49
Increase in net investment in finance leases	(855)	(1,465)
Cash (used in)/generated from operations	(13,424)	13,665

b. Business combination

In December 2004, the Group acquired a further 52% of the registered capital of Suzhou Shuilian Mattress Company Limited, a mattress joint venture in the People's Republic of China (in which the Group had an effective interest of 28.4% at the date of the acquisition).

	2005 HK\$'000	2004 HK\$'000
Net assets acquired on further acquisition of a joint venture as subsidiary		
Property, plant and equipment	–	2,585
Other investments	–	114
Inventories	–	4,150
Trade and other receivables	–	3,036
Trade and other payables	–	(2,371)
Taxation	–	(453)
	–	7,061
Investment in the joint venture previously accounted for	–	(5,026)
Negative goodwill	–	(2,613)
	–	(578)
Satisfied by:		
Cash consideration	–	2,830
Cash and bank balances acquired	–	(3,408)
	–	(578)