Notes to the Accounts

1 Group Reorganisation and Principal Activities

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, Grand Cayman, Cayman Islands.

Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 17 January 2005, prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding company of Grand Spirit Holdings Limited ("Grand Spirit"), Sino-French Joint-Venture Dynasty Winery Ltd. ("Dynasty Winery") and Shandong Yu Huang Grape Wine Co., Ltd. ("Yu Huang") on 13 January 2005.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are as stated in Note 33.

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 January 2005.

2 Principal Accounting Policies

(a) Basis of Preparation and Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below.

The accounting policies and methods of computation used in the preparation of these consolidated accounts are consistent with those used in the annual accounts for the year ended 31 December 2004, except the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods commencing on or after 1st January 2005.

The consolidated accounts of Dynasty Fine Wines Group Limited have been prepared in accordance with the HKFRS. The consolidated accounts have been prepared under the historical cost convention.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2 Principal Accounting Policies *(Continued)*

(a) Basis of Preparation and Accounting Policies *(Continued)*

In 2005, the Group adopted the new/revised HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new HKASs 1, 2, 7, 8, 10, 14, 16, 21, 23, 24, 27, 33, 37 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- HKASs 2, 7, 8, 10, 14, 16, 23, 27, 33, 37 and 38 had no material effect on the Group's policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to land use rights. The up-front prepayments made for the leasehold land and land use rights are now reclassified as operating lease and expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement in the year identified. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

2 Principal Accounting Policies *(Continued)*

(a) Basis of Preparation and Accounting Policies *(Continued)*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. Up to 2004, no adjustment is necessary upon adoption of HKASs 32 and 39.

In accordance with the provisions of HKFRS 3 and HKAS 36, goodwill is tested annually for impairment, and also when there is indication of impairment commencing from the year ended 31 December 2005. In accordance with HKFRS 2, costs of share options are expensed in income statement.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than HKASs 16, 21, 39 and HKFRSs 2 and 3.

Standards, interpretations and amendments to published standards that are not yet effective

Following are the new standards, amendments and interpretations to existing standards for accounting periods beginning on or after 1 January 2006 or later periods which are relevant to the Group but the Group has not early adopted:

Effective from 1 January 2006	
HKAS 19 (Amendment)	Employee Benefits
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
Effective from 1 January 2007	
HKFRS 7 and Amendment to HKAS1	Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures

The Group has already commenced an assessment of the impact of these new standards, interpretations and amendments but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the accounts will be resulted.

2 Principal Accounting Policies *(Continued)*

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December 2005.

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuity entity. Accordingly, the consolidated accounts have been prepared on the merger basis as if the Company had been the holding company of the companies comprising the Group and the group structure as at 13 January 2005 had been in existence from the beginning of 1 January 2004. In the opinion of the directors, the consolidated accounts prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 Principal Accounting Policies *(Continued)*

(d) Foreign Currency Translation

Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in HK dollars, which is the Company's presentation currency. The functional currency of the Company and all of its Group's subsidiaries in the PRC is Renminbi.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Principal Accounting Policies *(Continued)*

(e) Fixed Assets and Depreciation

Construction in progress is stated at cost which includes cost of construction and other direct costs capitalised during the construction less impairment losses and is not depreciated until such time the assets are completed and ready for their intended use.

Buildings comprise mainly factories and offices. Other fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of other fixed assets is calculated using the straight-line method to allocate the cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	10 years
Leasehold improvements, furniture and equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(g) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 Principal Accounting Policies *(Continued)*

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined on the basis of anticipated sales proceed less estimated cost to completion and selling expenses. Provision is made for inventories when they become obsolete.

(i) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(l) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Principal Accounting Policies *(Continued)*

(l) Deferred Income Tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Employee Benefits

- Employee leave entitlement

  Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

- Retirement scheme obligation

  Employees of the Group's subsidiaries in the PRC are members of the state-managed employee pension scheme which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. In addition, the Company contributes to a mandatory provident fund scheme for all Hong Kong employees. All contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

- Share-based compensation

  The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

  The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(n) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Principal Accounting Policies *(Continued)*

(o) Revenue Recognition

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(q) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

(t) Government Subsidies

Government subsidies represent cash assistance by the local municipal government of the PRC. Such subsidies are deferred and recognised in the income statement on a systemic basis to match related costs which they are intended to compensate.

3 Turnover and Other Revenue

The Group is principally engaged in the manufacturing and sale of wine products. Revenue recognised during the year is as follows:

	2005 **HK$'000**	2004 HK$'000
Turnover		
Manufacturing and sale of wine products	**947,489**	804,629
Other revenue		
Interest income	**19,368**	4,800
Total revenue	**966,857**	809,429

4 Cost of Sales

Cost of the sales comprises the following items:

	2005 **HK$'000**	2004 HK$'000
Cost of production	**362,492**	297,421
Consumption tax at 10% of domestic turnover	**94,430**	80,278
	456,922	377,699

5 Segment Information

Manufacturing and sale of wine products is the only business segment of the Group for the year ended 31 December 2005 and 2004.

No geographic analysis is provided as less than 10% of the consolidated turnover, consolidated results and operating assets of the Group are attributable to markets other than PRC.

6 Operating Profit

	2005 HK$'000	2004 HK$'000
Operating profit is stated after charging/(crediting):		
Employee costs include:		
- salaries	**33,745**	21,301
- contributions to retirement benefits scheme	**3,670**	1,873
- other allowance and benefits	**17,584**	19,437
- share-based payments	**8,847**	-
- government subsidy (Note i)	**(12,074)**	(7,589)
Total employee costs including directors' emoluments	**51,772**	35,022
Auditors' remuneration	**1,000**	400
Depreciation	**21,436**	16,555
Amortisation	**914**	775
Net exchange loss/(gain)	**6,544**	(223)
Loss on disposal of fixed assets	**147**	1,102
Operating lease rentals in respect of:		
- storage facilities and plant and machinery	**3,143**	3,396
- transformation station	**2,057**	2,038
- office premises	**1,425**	238

Note:

(i) Prior to 2003, one of the Group's subsidiaries, Dynasty Winery, had been making contributions to an external special purpose fund which is managed and approved by the PRC joint venture partner of Dynasty Winery as permitted under the then related PRC regulations. Pursuant to revised regulations issued by the Tianjin Finance Bureau effective 1 January 2003, Dynasty Winery ceased to make further contributions to this fund. In addition, these regulations require any remaining balance of the fund at 31 December 2007 to be transferred to Dynasty Winery. The Group's legal counsel has confirmed that the Group does not have ownership of this fund which effectively belongs to the PRC government and is to be used only for the general welfare of Dynasty Winery's employees. In 2005, Dynasty Winery received approximately HK$12,074,000 (2004: HK$7,589,000) from the fund. As at 31 December 2005, the remaining balance in this fund is approximately HK$22.0 million (2004: HK$34.0 million).

7 Finance Costs

	2005 HK$'000	2004 HK$'000
Interest expense:		
Bank loans wholly repayable within five years	**346**	708

8 Income Tax Expense

	2005 HK$'000	2004 HK$'000
Current income tax:		
- PRC income tax	**51,151**	56,678
- (over)/under provision in previous years	**(2,003)**	509
- tax refund	**(1,544)**	-
	47,604	57,187

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Provision for PRC income tax has been made at the applicable rate on the estimated assessable profit for the year for each of Group's subsidiaries. The applicable rate for is principally 24% being the preferential rate for foreign investment production enterprises established in a coastal economic development zone (2004: 24%).

The Group's effective tax rate differs from the applicable rates principally due to the following factors:

	2005 HK$'000	2004 HK$'000
Profit before income tax	**229,012**	223,664
Calculated at applicable rates	**56,049**	53,862
Non-tax deductible expenses	**457**	2,816
Income not subject to tax	**(2,229)**	-
Utilisation of previously unrecognised deferred tax assets	**(3,126)**	-
(Over)/under provision in previous years	**(2,003)**	509
Tax refund	**(1,544)**	-
Income tax expense	**47,604**	57,187

9 Profit Attributable to the Equity Holders of the Company

The profit attributable to the equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$73,800,000 (2004: loss of HK$1,003,000).

10 Dividends

	2005 HK$'000	2004 HK$'000
Dividend declared on 12 May 2004 paid in July 2004 (Note i)	-	74,344
Special dividend declared on 8 November 2004 paid in December 2004 (Note i)	-	62,825
	-	137,169
Special dividend declared on 8 November 2004 paid in April 2005 (Note i)	-	74,340
Interim dividend paid of HK3.7 cents per ordinary share	46,065	-
Proposed final dividend, HK2.0 cents per ordinary share (Note ii)	24,900	-
	70,965	74,340
	70,965	211,509

Note:

(i) All of the dividends declared in 2004 are attributable to the then shareholders of Dynasty Winery prior to the Reorganisation.

(ii) On 20 April 2006, the directors declared final dividend of HK2.0 cents per ordinary share. These accounts do not reflect this dividend payable, but will be reflected as an appropriation of retained profits for the year ending 31 December 2006.

11 Earnings per Share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$178,991,000 and the weighted average number of 1,220,630,137 shares in issue during the year.

The comparative basic earnings per share is calculated based on profit attributable to equity holders of the Company of HK$165,955,000 and an aggregate of 900,000,000 shares comprising 100 shares issued immediately after incorporation of the Company and 899,999,900 shares issued upon the Reorganisation, which were deemed to have been in issue since 1 January 2004.

The exercise of share options would have no material dilutive effect of earnings per share for the year ended 31 December 2005 (2004: Nil).

12 Emoluments for Directors and Five Highest Paid Individuals

- Directors' emoluments:

	2005 HK$'000	2004 HK$'000
Fees	**2,016**	-
Salaries, allowances and other benefits	**7,091**	659
Share-based payments	**5,783**	-
Contributions to retirement benefits scheme	**245**	22
	15,135	681

The remuneration of directors for the year ended 31 December 2005 is set out below:

	Fees HK$'000	**Salary** HK$'000	**Discretionary bonuses** HK$'000	**Other benefits** HK$'000	**Share-based payments** HK$'000	**Employer's contribution to pension scheme** HK$'000	**Total** HK$'000
Executive director							
Mr. He Xiuheng	-	1,399	-	313	881	70	2,663
Mr. Gao Xiaode	-	1,384	400	313	804	65	2,966
Mr. Nie Jiansheng	-	1,119	-	281	746	56	2,202
Mr. Bai Zhisheng	-	279	-	-	421	-	700
Mr. Chen Naiming	-	1,133	162	308	746	54	2,403
Non-executive director							
Mr. Heriard-Dubreuil Francois	224	-	-	-	460	-	684
Mr. Wang Guanghao	224	-	-	-	345	-	569
Mr. Cheung Wai Ying, Benny	224	-	-	-	345	-	569
Mr. Zhang Wenlin	224	-	-	-	345	-	569
Mr. Wong Ching Chung	224	-	-	-	345	-	569
Mr. Robert Luc	224	-	-	-	345	-	569
Independent non-executive director							
Mr. Lai Ming, Joseph	224	-	-	-	-	-	224
Mr. Hui Ho Ming, Herbert	224	-	-	-	-	-	224
Mr. Chau Ka Wah, Arthur	224	-	-	-	-	-	224

12 Emoluments for Directors and Five Highest Paid Individuals *(Continued)*

The remuneration of directors for the year ended 31 December 2004 is set out below:

	Fees	Salary	Discretionary bonuses	Other benefits	Share-based payments	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director							
Mr. Gao Xiaode	-	76	-	374	-	-	450
Mr. Chen Naiming	-	58	-	151	-	22	231

No emolument was paid by the Group to any of other directors for the year ended 31 December 2004 except for the above.

- Senior management's emoluments:

The five highest paid individuals included four directors for the year ended 31 December 2005 (2004: two) whose emoluments are reflected above. The emoluments payable to the remaining one (2004: three) individual(s) during the year are summarised as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**975**	631
Contributions to retirement benefits scheme	**49**	68
Share-based payments	**498**	-
	1,522	699

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
HK$Nil — HK$1,000,000	**-**	3
HK$1,500,001 — HK$2,000,000	**1**	-

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office for the year ended 31 December 2005 (2004: Nil).

13 Retirement Benefit Obligations

The Group has no other obligation for the payment of retirement and other post-retirement benefits of employees or retirees other than the contribution payments as disclosed in Note 6.

14 Fixed Assets

The Group

	Buildings	Plant and machinery	Leasehold improvements, furniture, and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
As at 1January 2004	63,114	111,991	32,706	20,761	9,675	238,247
Additions	-	2,091	1,223	4,442	68,674	76,430
Transfers	2,154	-	-	-	(2,154)	-
Disposals	(1,319)	(3,150)	(2,304)	(2,112)	-	(8,885)
As at 31 December 2004	63,949	110,932	31,625	23,091	76,195	305,792
Exchange differences	1,230	2,133	608	444	1,465	5,880
Additions	6,125	9,215	3,922	2,391	62,037	83,690
Acquisition of subsidiaries (Note 31b)	8,964	27,901	122	531	-	37,518
Transfers	13,349	45,770	18,538	-	(77,657)	-
Disposals	-	(377)	(1,289)	(103)	-	(1,769)
As at 31 December 2005	93,617	195,574	53,526	26,354	62,040	431,111
Accumulated depreciation						
As at 1 January 2004	19,201	51,913	21,767	13,802	-	106,683
Charge for the year	2,980	9,310	2,008	2,257	-	16,555
Disposals	(218)	(2,835)	(1,977)	(2,012)	-	(7,042)
As at 31 December 2004	21,963	58,388	21,798	14,047	-	116,196
Exchange differences	454	1,239	445	293	-	2,431
Charge for the year	3,312	12,057	3,386	2,681	-	21,436
Disposals	-	(306)	(1,124)	(103)	-	(1,533)
As at 31 December 2005	25,729	71,378	24,505	16,918	-	138,530
Net book value						
As at 31 December 2005	67,888	124,196	29,021	9,436	62,040	292,581
As at 31 December 2004	41,986	52,544	9,827	9,044	76,195	189,596

14 Fixed Assets *(Continued)*

The Company

	Leasehold improvements, furniture, and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
Additions and as at 31 December 2004	30	-	30
Additions	2,497	1,441	3,938
As at 31 December 2005	2,527	1,441	3,968
Accumulated depreciation			
Charge for the year and as at 31 December 2004	1	-	1
Charge for the year	717	272	989
As at 31 December 2005	718	272	990
Net book value			
As at 31 December 2005	1,809	1,169	2,978
As at 31 December 2004	29	-	29

15 Land Use Rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2005 HK$'000	2004 HK$'000
Cost	**22,048**	19,137
Accumulated amortisation and impairment	**(3,191)**	(2,277)
	18,857	16,860
As at 1 January	**16,860**	11,132
Additions	**-**	6,503
Acquisition of subsidiaries (Note 31(b))	**2,343**	-
Amortisation of prepaid operating lease payment	**(914)**	(775)
Exchange differences	**568**	-
As at 31 December	**18,857**	16,860

15 Land Use Rights *(Continued)*

All of the land use rights are located in the PRC and are held under lease terms ranging from 10 to 50 years.

16 Goodwill

	2005 HK$'000	2004 HK$'000
Upon acquisition of subsidiaries (Note 30)	**9,421**	-

17 Interests in Subsidiaries

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**440,879**	-
Amounts due from subsidiaries	**257,407**	-
	698,286	-

Amounts due from a subsidiaries is unsecured, interest free and have no fixed repayment terms. Details of principal subsidiaries are set out in Note 33.

18 Deferred Income Tax Assets

	2005 HK$'000	2004 HK$'000
At 1 January	**1,212**	1,212
Exchange differences	**24**	-
At 31 December	**1,236**	1,212

Deferred income tax assets relate to provision for doubtful debts.

19 Trade Receivables

In general, the Group grants a credit period of 30 to 90 days to its customers. The aging analysis of the trade receivables is as follows:

	2005 HK$'000	2004 HK$'000
Below 30 days	**87,648**	76,241
30 to 90 days	**19,025**	21,062
91 to 180 days	**2,797**	11,819
Over 180 days	**2,235**	864
	111,705	109,986
Less: Provision for doubtful debts	**-**	(3,889)
	111,705	106,097

20 Other Receivables, Deposits and Prepayments

During the year ended 31 December 2004, the Group advanced approximately HK$2.6 million to a third party. The advance carried interest at 0.6% per month and was settled in June 2004. The maximum of the amount advanced in 2004 was HK$2.6 million.

21 Inventories

	2005 HK$'000	2004 HK$'000
At cost:		
Unprocessed wines	**199,259**	93,546
Finished goods	**142,571**	120,642
Consumables	**13,042**	20,237
	354,872	234,425

22 Cash and Bank Balances

	2005 HK$'000	2004 HK$'000
The Group		
Balances with banks	**762,839**	227,802
Balances with other financial institutions	**412**	96
	763,251	227,898
The Company		
Balances with banks	**406,553**	-

Cash and bank balances deposited with banks and other financial institutions in the PRC were principally denominated in Renminbi. The conversion of these Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government.

The effective interest rate on bank balances deposited with banks and other financial institutions were 2.6% (2004: 1.4%) respectively; these deposits have an average maturity of 30 days.

23 Share Capital

The Company's share capital is as follows:

	Number of shares of HK$0.1 each	HK$
Authorised		
Upon incorporation on 29 July 2004 (Note i)	3,900,000	390,000
Increase on 6 December 2004 (Note ii)	2,996,100,000	299,610,000
As at 31 December 2004 and 2005	3,000,000,000	300,000,000

23 Share Capital *(Continued)*

Issued and Paid Up

	Number of shares	Share capital HK$'000
As at 1 January 2004	-	-
Issue of shares on 9 August 2004 (Note iii)	1	-
Issue of shares on 10 August 2004 (Note iv)	99	-
Acquisition of subsidiary (Note v)	899,999,900	90,000
Proforma share capital as at 31 December 2004	900,000,000	90,000
Issue of shares (Note vi)	345,000,000	34,500
As at 31 December 2005	1,245,000,000	124,500

Note:

(i) The Company was incorporated in the Cayman Islands on 29 June 2004 with an authorised share capital of HK$390,000 divided into 3,900,000 shares of HK$0.1 each.

(ii) On 6 December 2004, the shareholders resolved that, the authorised share capital of the Company be increased from HK$390,000 to HK$300,000,000 by the creation of additional 2,996,100,000 shares.

(iii) On 9 August 2004, one new share of HK$0.1 was allotted and issued at par for cash.

(iv) On 10 August 2004, an aggregate of 99 new shares of HK$0.1 each was allotted and issued at par for cash.

(v) The Company issued 899,999,900 shares of HK$0.1 each on 13 January 2005 to acquire for the entire equity interest of Grand Spirit Holdings Limited ("Grand Spirit") which owns the entire equity interest of Sino French Joint-Venture Dynasty Winery Ltd. (Note 33).

(vi) On 1 February 2005, the Company completed its placing and public offering of 345,000,000 shares whereupon 300,000,000 shares were issued on the Main Board of the Stock Exchange on 26 January 2005 and the remaining 45,000,000 shares were issued on 1 February 2005 following the exercise of the over-allotment option pursuant to the underwriting agreement.

Share Options Scheme

Pursuant to the resolutions of the shareholders of the Company on 6 December 2004, a share option scheme (the "Scheme") was approved and adopted.

Under the Scheme, the directors may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors pursuant to the relevant listing rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share options schemes of the Company shall not exceed 120 million shares, being 10% of the total number of shares in issue as at the date of listing of the Company's shares unless separate approval is obtained.

23 Share Capital *(Continued)*

Share Options Scheme *(Continued)*

On 27 January 2005, 15,100,000 share options were granted to directors, other than the independent non-executive directors, of the Company and 8,000,000 share options were granted to employees of the Group. The options are exercisable at a price of HK$3 per share at anytime between 17 August 2005 and 26 January 2015. During 2005 no share options were exercised, lapsed or cancelled by the directors or employees except for 500,000 cancelled options.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Based on the share option valuation report prepared by Vigers Appraisal & Consulting Limited ("Vigers") on 1 September 2005, the fair market value of options granted during the year ended 31 December 2005 determined using the Binomial valuation model was HK$0.38 per option. On the basis, HK$8.8 million was taken to employee share-based compensation reserve (Note 24).

The significant inputs into the model were share price of HK$3 per share, at the grant date, exercise price of HK$3 per option, standard deviation of expected share price returns of 23%, expected life of options of 2 years, expected dividend paid out rate of 50% and annual risk-free interest rate of 1.478%. According to the Vigers' report, the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last several months since listing on the Stock Exchange.

24 Reserves

The Group

	Share premium HK$'000	Merger reserve (Note i) HK$'000	Employee share-based compensation reserve HK$'000	Reserve fund (Note ii) HK$'000	Enterprise expansion reserve (Note ii) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2004	-	74,519	-	38,124	87,420	-	175,775	375,838
Profit attributable to the equity holders of the Company for the year	-	-	-	-	-	-	165,955	165,955
Transfer	-	-	-	6,787	6,625	-	(13,412)	-
Dividends (Note 10)	-	-	-	-	-	-	(211,509)	(211,509)
As at 31 December 2004	-	74,519	-	44,911	94,045	-	116,809	330,284
Issue of shares	689,518	-	-	-	-	-	-	689,518
Share-based payments (Note 23)	-	-	8,847	-	-	-	-	8,847
Profit attributable to the equity holders of the Company for the year	-	-	-	-	-	-	178,991	178,991
Transfer	-	-	(192)	19,016	248	-	(19,072)	-
Dividend (Note 10)	-	-	-	-	-	-	(46,065)	(46,065)
Currency translation differences	-	-	-	-	-	20,069	-	20,069
As at 31 December 2005	689,518	74,519	8,655	63,927	94,293	20,069	230,663	1,181,644

Note:

(i) The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation.

(ii) According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory accounts should be transferred to reserve fund and enterprise expansion reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in registered capital.

24 Reserves *(Continued)*

The Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (Note (i)) HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
As at 1 January 2004	-	-	-	-	-
Loss for the year	-	-	-	(1,003)	(1,003)
As at 31 December 2004	-	-	-	(1,003)	(1,003)
Issue of shares	689,518	-	-	-	689,518
Reserve arising from Reorganisation	-	-	331,286	-	331,286
Share-based payments	-	8,847	-	-	8,847
Profit for the year	-	-	-	73,800	73,800
Transfer	-	(192)	-	192	-
Dividend (Note 10)	-	-	-	(46,065)	(46,065)
As at 31 December 2005	689,518	8,655	331,286	26,924	1,056,383

Note:

(i) The capital reserve of the Company represents the excess of consolidated values of subsidiaries acquired over the nominal value of the share of the Company issued in exchange thereof as a result of the Reorganisation.

25 Trade Payables

The aging analysis of the trade payables is as follows:

	2005 HK$'000	2004 HK$'000
Below 30 days	**48,183**	41,574
30 to 90 days	**-**	337
91 to 180 days	**-**	1,871
Over 180 days	**2,836**	1,425
	51,019	45,207

26 Amount due to a Subsidiary and a Fellow Subsidiary

The amounts payable are unsecured, interest free and have no fixed term of repayment.

27 Amount due to a Related Company

The amount due to a related company is trade in nature, unsecured, interest free and has settlement terms within three months.

28 Borrowings

The short-term bank loan in 2004 of HK$14.2 million was secured by certain of the Group's properties in Tianjin and was released in October 2004.

29 Commitments

(a) Capital Commitments

Capital expenditure commitments outstanding at 31 December 2005 relate to intended purchase of fixed assets and production facilities are as follows:

The Group

	2005 **HK$'000**	2004 HK$'000
Authorised but not contracted for	**79,482**	13,592
Contracted but not provided for	**9,804**	8,222
	89,286	21,814

The Company

	2005 **HK$'000**	2004 HK$'000
Contracted but not provided for	**-**	1,200

29 Commitments *(Continued)*

(b) Operating Lease Commitments

At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2005 **HK$'000**	2004 HK$'000
Storage facilities and plant and machinery		
- Not later than one year	**-**	3,396
Transformation station		
- Not later than one year	**2,077**	2,038
- Later than one year but not later than five years	**1,211**	3,226
	3,288	5,264
Office premises		
- Not later than one year	**1,425**	1,425
- Later than one year but not later than five years	**1,188**	2,613
	2,613	4,038

30 Business Combination

On 10 January 2005, the Company entered into a conditional agreement with Tianjin Development Holdings Limited ("Tianjin Development"), the intermediate holding company, to acquire the entire share capital and to assume the shareholder's loan of Smiling East Resources Limited ("Smiling East") for a consideration of HK$47 million, the terms and conditions of the acquisition have been fulfilled and the transaction was completed on 23 February 2005. Smiling East holds 60% equity interest in Tianjin Tianyang Grape Extracting Co. Ltd. ("Tianyang") which is engaged in manufacturing of unprocessed wines and is a supplier to Dynasty Winery.

The acquired business contributed net profit of HK$3,502,000 to the Group for the period from 23 February 2005 to 31 December 2005. Details of the net assets acquired and goodwill are as follows:

	HK$'000
Cash consideration	47,000
Less: Assumption of shareholder's loan	37,407
	9,593
Less: Fair value of net assets acquired	172
Goodwill (Note 16)	9,421

The goodwill is attributable to the synergies expected to arise after the Group's acquisition of Smiling East.

31 Notes to Consolidated Cash Flow Statements

(a) Cash Generated from Operations:

	2005	2004
	HK$'000	HK$'000
Profit before taxation	**229,012**	223,664
Interest expense	**346**	708
Interest income	**(19,368)**	(4,800)
Depreciation	**21,436**	16,555
Amortisation	**914**	775
Loss on disposal of fixed assets	**147**	1,102
Share-based payments	**8,847**	-
Increase in trade receivables	**(5,608)**	(24,467)
Increase in other receivables, deposits and prepayments	**(14,851)**	(4,549)
Increase in inventories	**(95,450)**	(42,972)
Increase in trade payables	**5,812**	16,753
(Decrease)/increase in other payables and accruals	**(23,236)**	50,250
Decrease in amount due to a fellow subsidiary	**(1,735)**	(811)
Decrease in amounts due to related companies	**(1,890)**	(2,002)
Currency translation differences	**12,210**	-
Cash generated from operations	**116,586**	230,206

31 Notes to Consolidated Cash Flow Statements *(Continued)*

(b) Purchase of a Subsidiary

The assets and liabilities arising from the acquisition of Smiling East (Note 30) are as follows:

	Fair value
	HK$'000
Net assets acquired:	
Fixed assets	37,518
Land use rights	2,343
Other receivables, deposits and prepayments	206
Inventories	24,997
Cash and bank balances	4,144
Other payables and accruals	(128)
Current income tax liabilities	(2,123)
Amount due to holding company	(37,407)
Dividend payable	(2,595)
Minority interest	(26,783)
	172
Goodwill arising on acquisition	9,421
	9,593
Consideration satisfied by cash	47,000
Less: Assumption of shareholder's loan	37,407
	9,593

Analysis of the net cash used in purchase of a subsidiary:

	HK$'000
Cash and bank balances acquired	4,144
Cash paid	(47,000)
	(42,856)

32 Related Party Transactions

The following is a summary of significant related party transactions during the year which in the opinion of the directors were conducted under commercial terms and in the normal course of the Group's business.

	2005 **HK$'000**	2004 HK$'000
• Purchase of goods and services		
Tianjin Heavenly Palace Winery Co., Ltd ("Heavenly Palace") (Note i)		
Rental paid	**3,429**	3,396
Acquisition of storage facilities, plant and machinery	**2,977**	-
Ning Xia Heavenly Palace Yuma Winery Co., Ltd.("Yuma")		
Purchase of unprocessed wine	**29,571**	42,712
Tianyang		
Purchase of unprocessed wine (Note ii)	**2,655**	21,728
Tianjin Agricultural Cultivation Group Company's associates ("Agricultural Group's associates")		
Packaging service (Note iii)	**-**	24,059
Rental for electricity transformation station (Note iii)	**-**	2,038
Purchase of packaging materials (Note iii)	**-**	22,095
• Acquisition of interest in subsidiaries from Tianjin Development (Note 30)	**47,000**	-
• Key management compensation		
Salaries and other short-term employee benefits	**12,762**	1,760
Other long-term benefits	**623**	237
Share-based payments	**8,847**	-
	22,232	1,997

As at December 31

	2005 **HK$'000**	2004 HK$'000
Advance/(payable) for unprocessed wine		
Tianyang (Note ii)	**-**	(5,618)
Yuma (Note iv)	**9,850**	-

Heavenly Palace is subsidiary of Tianjin Development. Yuma is an associate of Heavenly Palace.

32 Related Party Transactions *(Continued)*

Note:

(i) Rental for storage facilities and plant and machinery was paid at contracted terms of RMB300,000 per month (approximately HK$286,000 per month). The rental period is three years commencing from 1 January 2003 and terminated on 31 December 2005. Dynasty Winery (Note 33) signed purchase agreements on 28 November 2005 to acquire aforesaid storage facilities, plant and machinery from Heavenly Palace at approximately HK$2,977,000 on normal commercial terms.

(ii) As detailed in Note 30, Tianyang became a subsidiary of the Group after the acquisition of Smiling East on 23 February 2005 and ceased to be a fellow subsidiary of the Group. Total purchase from Tianyang during the period from 1 January 2005 to 23 February 2005 amounted to HK$2,655,000.

(iii) Mr. Gao Xiaode was a director of the associates of Tianjin Agricultural Cultivation Group Company before listing of the Company who resigned before 26 January 2005. Therefore all transactions after 26 January 2005 between Dynasty Winery and the associates of Tianjin Agricultural Cultivation Group Company do not constitute related party transactions.

(iv) The advance for purchase of unprocessed wine was trade in nature, bears interest at 6% per annum and has no fixed repayment terms.

33 Principal Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2005:

	Issued and fully paid up share capital	**Attributable interests (%)**	**Principal activities**
Incorporated in the British Virgin Islands			
Grand Spirit Holdings Limited	US$200	#100	Investment holding
Smiling East Resources Limited	US$1	#100	Investment holding
Established and operating in Hong Kong			
Dynasty Fine Wines (Asia Pacific) Limited	HK$10,000,000	#100	Trading of winery products
Established and operating in the PRC			
Sino-French Joint-Venture Dynasty Winery Ltd.	RMB407,499,000	100	Manufacturing and sale of winery products
Shandong Yu Huang Grape Wine Co., Ltd.	RMB6,866,812	65	Manufacturing and sale of winery products
Tianjin Tianyang Grape Extracting Co. Ltd.	RMB66,532,000	60	Manufacturing and sale of unprocessed wine

Shares held directly by the Company

34 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, credit risk and cash flow interest rates risk.

(a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk.

Majority of the Group's revenues and operating expenses are denominated in Renminbi, a currency not freely convertible into other currencies, except under certain circumstances. The value of the Renminbi against other foreign currencies is subject to amendment by the PRC government. From 1994 until 21 July 2005, the rate at which the Renminbi was convertible into US dollars was fixed by the People's Bank of China at a stable rate of approximately RMB8.3 per US dollar. From 21 July 2005, the Renminbi was pegged to a basket of currencies instead. On 21 July 2005, this revaluation of the exchange rate resulted in the Renminbi appreciating against the HK dollar by approximately two per cent. To the extent that the Renminbi appreciates further against HK dollars, results of the Group's operations, which are presented in HK dollars, will increase, and to the extent that the Renminbi depreciates in value the results of the Group's operations will decrease.

- Foreign exchange risk
  The Group mainly operates in the PRC with most of the transactions settled in Renminbi and did not have significant exposure to foreign exchange risk for the year ended 31 December 2005.

- Price risk
  The Group has minimal price risk.

- Credit risk
  The Group has no significant concentrations of credit risk. The carrying amount of trade receivables included in the consolidated balance sheets represented the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated accounts.

- Liquidity risk
  The Group has minimal liquidity risk.

34 Financial Risk Management *(Continued)*

(a) Financial Risk Factors *(Continued)*

- Cash flow and fair value interest rate risk

  As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its short-term deposits. The Group did not use any interest rate swaps to hedge its exposure to interest rate risk during the year ended 31 December 2005.

(b) Fair Value Estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, time deposits, trade receivables, other receivables, deposits and prepayments; and financial liabilities including trade payables, short-term bank loan, other payables and accruals, approximate their fair values due to their short maturities.

35 Critical Accounting Estimates and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 23 contains information about the assumptions and their risk factors relating to fair value of share options granted.

36 Comparative figures

Comparative figures have been translated into Hong Kong dollars to conform with the current year's presentation.

37 Approval of accounts

The accounts were approved by the board of directors on 20 April 2006.