NOTES TO FINANCIAL STATEMENTS

31 December 2005

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Macro-Link Sdn. Bhd., a company incorporated in Malaysia.

The address of the register office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are engaged in production and distribution of wine products and manufacturing and trading of electronics products.

The financial statements for the current year cover the 12 months period ended 31 December 2005. With the effect of change in financial year date from 30 June to 31 December in last year, the corresponding amounts shown for the consolidated income statement, and related notes for the year ended 31 December 2005 and therefore may not be comparable with the amounts shown for the prior period, which cover a 6 months period from 1 July 2004 to 31 December 2004. No further changes to reporting dates are anticipated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and interpretation ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A summary of the new HKFRS is set out as below:–

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 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 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

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

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies.

– 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.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are 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 prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

– HKFRS 3 – prospectively after 1 January 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Effect of changes in the accounting policies and estimates on consolidated income statement for the year ended 31 December 2005:

	HKAS 17	HKFRS 3, HKAS 36 & 38	HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in administrative expenses	(90)	–	(6,655)	(6,745)
Increase in impairment of goodwill	–	(2,177)	–	(2,177)
Decrease in profits attributable to equity holders of the Company	(90)	(2,177)	(6,655)	(8,922)
Decrease in basis loss per share (HK$)	(0.008)	(0.19)	(0.58)	(0.778)

Effect of changes in accounting policies and estimates on consolidated balance sheet as at 31 December 2005:

	HKAS 17	HKFRS 3, HKAS 36 & 38	HKAS 39	HKAS-Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase in goodwill	–	13,941	–	–	13,941
Increase in land use rights	4,799	–	–	–	4,799
Decrease in property, plant and equipment	(4,799)	–	–	–	(4,799)
Increase in deferred tax liabilities	–	–	–	(2,600)	(2,600)
Increase in provision for impairment loss	–	–	(6,655)	–	(6,655)
	–	13,941	(6,655)	(2,600)	4,686
Equity					
Capital and other reserves	–	13,941	(6,655)	(2,600)	4,686

No effect of changes in accounting policies and estimates in prior years consolidated income statements and consolidated balance sheet except minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the loss attributable to shareholders (the equity shareholders of the Company) in prior years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet as part of equity, separately from interests attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives figures restated.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions. The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31 December 2005 and 2004.

HKAS 39 (Amendment), The Fair Value Option. This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee. This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application. A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 July 2001 is capitalised and amortised on a straight-line basis over its estimated useful life and is presented separately in the consolidated balance sheet.

On disposal of investments in subsidiaries, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Following the adoption of HKFRS 3 Business Combination, the Group ceased amortisation of goodwill from 1 January 2005. All accumulated amortisation of goodwill would be eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually of impairment. Any goodwill raised prior to 1 July 2001 recognised in goodwill reserve would be transferred to goodwill following the change in accounting policy.

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

(d) Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Revenue recognition

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(f) Property, plant and equipment

Property, plant and equipment, other than properties held for development, are stated at cost less accumulated depreciation or amortisation and any identified impairment loss.

The cost of leasehold land is amortised over the period of the relevant leases using the straight line method.

The cost of buildings is depreciated using straight line method over their estimated useful lives of fifty years or, where shorter, the period of the relevant leases.

Properties held for development are carried at cost, less any identified impairment losses. Cost included land cost, construction and other incidental costs. Depreciation of these properties, on the same basis as other properties, commences when the assets are put into use.

Depreciation is provided to write off the cost of property, plant and equipment, other than properties held for development, over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	over the period of the relevant lease
Leasehold improvements	20% or over the period of the relevant lease
Plant and machinery	10% – 25%
Tools, equipment and moulds	10% – 50%
Furniture and fixtures	10% – 25%
Motor vehicles	10% – $33^{1}/_{3}$%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the period of the relevant leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sale proceeds less estimated cost to completion and selling expenses. Provision is made for inventories when they became obsolete.

For wine products, cost is calculated on a weighted average basis comprises materials, direct labour and an appropriate portion of production overheads. For electronics products and health care products, cost is calculated using the first-in, first-out method.

(h) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. Assets held under finance leases are capitalised at their fair values at the date of inception. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the original outstanding principal at the inception of the leases, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rental expenses and income are charged and credited respectively to the income statement on a straight line basis over the period of the relevant leases.

(i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Land use rights

Land use rights at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, office premises and processing factories are situated. Amortisation of land use rights are calculated on a straight-line basis over the period of the land use rights of 50 years.

(k) Government subsidy

Government subsidies represent cash assistance by the local municipal government of the PRC. Such subsidies received or became receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised as income of the period in which it becomes receivables.

(l) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period/year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

(m) Retirement benefits scheme

Payments to defined contribution retirement benefits scheme and mandatory provident fund scheme are charged as an expense as they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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 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 recognized in the income statement.

(o) Intangible assets

i. Farmland Development

Farmland Development included farmland expenditures, preparation work and cost capitalised in relation to planting of grapes for wine production purpose. Farmland Development has been capitalised as assets where the costs are identifiable and the ability to use the asset will generate probable future economic benefits.

Farmland Development are amortised over the period in which the related benefits are expected to be realised. Farmland Development is reviewed annually to determine the amount, if any, that is no longer recoverable and any such amount is written off to the income statement in the year of determination.

ii. Trademark

Acquired trademarks are shown at historical cost. Acquired trademarks have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

iii. Technical Know-how

Technical know-how is recognised only if it is anticipated that the technical know-how incurred on a clear-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life of 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(q) 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.

(r) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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 financial statements. 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. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economics benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Segment Reporting

A segment is a distinguishable component of the Group that is either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(u) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they subject to common control or common significant influences.

(v) Related Party Transactions

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in HK and the PRC and is exposed to foreign exchange risk arising from respective currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in the PRC is managed primarily through borrowings denominated in the relevant foreign currencies

(ii) Price risk

The Group is not exposed to commodity price risk.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(d) 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.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. 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.

In preparing the consolidated financial statements, accounting estimates and judgements need to be made. The Group evaluates these based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate the related actual results. Estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 2 (p). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of fixed assets

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(continued)*

(d) Impairment of non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgment from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the assets residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

(e) Impairment of inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identify the slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

(f) Current taxation and deferred taxation

The Group is subject to enterprise income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

For the year ended 31 December 2005, the Group operates in the following areas:

- manufacturing and distribution of electronic products;
- production and distribution of wine.
- manufacturing of health care products;

Business segment information for the year ended 31 December 2005 is presented below:–

	Continuing operation			
	Manufacturing and distribution of electronics products	**Production and distribution of wine**	**Manufacturing of health care products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	74,896	66,409	291	141,596
Results				
Segment results	(2,418)	11,700	(6,810)	2,472
Unallocated corporate income				10,207
Unallocated corporate expense				(9,453)
Profit from operations				3,226
Finance costs				(2,245)
Profit before taxation				981
Taxation				–
Profit for the year				981
Attributable to:				
Equity holders of the Company				(1,844)
Minority interest				2,825
				981

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Continuing operation				
	Manufacturing and distribution of electronics products HK$'000	Production and distribution of wine HK$'000	Manufacturing of health care products HK$'000	Others HK$'000	Total HK$'000
Assets					
Segment assets	38,768	165,815	2,014	–	206,597
Unallocated corporate assets	–	–	–	8,483	8,483
Consolidated total assets	38,768	165,815	2,014	8,483	215,080
Liabilities					
Segment liabilities	(40,702)	(55,308)	(105)	–	(96,115)
Unallocated corporate liabilities	–	–	–	(3,355)	(3,355)
Consolidated total liabilities	(40,702)	(55,308)	(105)	(3,355)	(99,470)
Other information:					
Capital expenditure	1,219	13,491	–	–	14,710
Depreciation of property, plant and equipment	2,079	3,246	–	44	5,369
Provision for impairment loss of trade receivable	–	–	6,655	–	6,655
Impairment of goodwill	2,177	–	–	–	2,177
Amortisation of land use rights	–	90	–	–	90
Amortisation of intangible assets	–	232	–	–	232

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

Business segment information for the period from 1 July 2004 to 31 December 2004 is presented below:

	Continuing operations			Discontinued operation	
	Manufacturing and distribution of electronics products *HK$'000*	Manufacturing of health care products *HK$'000*	Others *HK$'000*	Property and investment holding *HK$'000*	Total *HK$'000*
Turnover	55,781	–	–	–	55,781
Results					
Segment results	(5,047)	(825)	–	–	(5,872)
Unallocated corporate income					56
Unallocated corporate expense					(3,224)
Loss from operations					(9,040)
Finance costs					(602)
Loss before taxation					(9,642)
Taxation					–
Loss before minority interests					(9,642)
Attributable to:					
Equity holders of the Company					(6,321)
Minority interests					(3,321)
					(9,642)
Assets					
Segment results	28,676	–	–	–	28,676
Unallocated corporate assets	–	–	81,029	–	81,029
Consolidated total assets	28,676	–	81,029	–	109,705
Liabilities					
Segment liabilities	(13,769)	–	–	–	(13,769)
Unallocated corporate liabilities	–	–	(18,265)	–	(18,265)
Consolidated total liabilities	(13,769)	–	(18,265)	–	(32,034)

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Continuing operations			Discontinued operation	
	Manufacturing and distribution of electronics products	Manufacturing of health care products	Others	Property and investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information:					
Capital expenditure	1,768	–	18	–	1,786
Depreciation of property, plant and equipment	998	144	20	–	1,162
Provision for impairment loss of trade receivable	4,200	–	–	–	4,200
Provision for obsolete inventories	1,650	–	–	–	1,650
Impairment loss in respect of property, plant and equipment	–	1,135	–	–	1,135

(b) Geographical segments

The Group's operations are located in Hong Kong, United States of America, Europe, the People's Republic of China other than Hong Kong (the "PRC") and other Asian countries.

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods or services:

	Turnover	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**61,970**	40,283
United States of America	**188**	875
PRC	**76,191**	6,334
Other Asian countries	**3,230**	8,226
Europe	**17**	63
	141,596	55,781

No geographical segment analysis on assets and liabilities has been disclosed as of 31 December 2005 and 2004 as over 90% of Group's assets and liabilities were located in the PRC.

6. TURNOVER

An analysis of Group's turnover is as follow:–

	The Group	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000* (Restated)
Manufacturing and distribution of electronics products	**74,896**	55,781
Manufacturing and distribution of health care products	**291**	–
Production and distribution of wine	**66,409**	–
	141,596	55,781

7. OTHER REVENUE

	The Group	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000* (Restated)
Bank interest income	**246**	56
Government subsidies	**1,734**	–
Others	**3,140**	–
	5,120	56

8. OTHER INCOME

	The Group	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000* (Restated)
Waiver of amounts due from related companies	**3,892**	–
Others	**59**	631
	3,951	631

9. EXPENSES BY NATURE

	The Group	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000*
		(Restated)
Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	**11,274**	9,167
– Retirement benefits scheme contributions	**131**	241
Total staff costs	**11,405**	9,408
Auditors' remuneration	**750**	450
Amortisation of intangible assets	**232**	–
Amortisation of land use rights	**90**	–
Cost of inventories recognised as expense	**100,352**	39,683
Depreciation	**5,370**	1,162
Gain on disposal of property, plant and equipment	**–**	(61)

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the 10 (31 December 2004: 10) directors were as follows:

For the year ended 31 December 2005 and the six months ended 31 December 2005:–

	Fees		Salaries and other benefits		Performance related incentive payments		Retirement benefits scheme contributions		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fu Kwan	**–**	–	**1,200**	600	**–**	–	**4**	–	**1,204**	600
Wu Xiang Dong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Shu Shi Ping	**–**	–	**360**	90	**–**	–	**–**	–	**360**	90
Wang Xiao Ming	**–**	–	**–**	60	**–**	–	**–**	–	**–**	60
Chan Yeuk	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Zhang Jian	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Hung Kin Sang, Raymond	**120**	60	**–**	–	**–**	–	**–**	–	**120**	60
Cao Kuangyu	**120**	60	**–**	–	**–**	–	**–**	–	**120**	60
Ting Leung Huel, Stephen	**145**	60	**–**	–	**–**	–	**–**	–	**145**	60
E Meng	**120**	30	**–**	–	**–**	–	**–**	–	**120**	30
	505	210	**1,560**	750	**–**	–	**4**	–	**2,069**	960

The performance related incentive payments is determined as a percentage of the turnover of the Group for the year ended 31 December 2005.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(continued)*

(b) Employees' emoluments

The five highest paid individuals for the year included one director (six months ended 31 December 2004: one director) whose emoluments are set out in (a) above. The emoluments of the remaining four (six months ended 31 December 2004: four) individuals are as follows:

	1.1.2005 to 31.12.2005 *HK$'000*	1.7.2004 to 31.12.2004 *HK$'000* (Restated)
Salaries, performance related incentive payments and other benefits	**3,083**	1,467
Retirement benefits scheme contribution	**57**	89
	3,140	1,556

Their remuneration is within the following bands:

	1.1.2005 to 31.12.2005 Number of employees	1.7.2004 to 31.12.2004 Number of employees
Up to HK$1,000,000	**4**	4
HK$1,000,000 to HK$1,500,000	**1**	–
	5	4

During the period from 1 July 2004 to 31 December 2004, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group as compensation for loss of office. In addition, during the period from 1 July 2004 to 31 December 2004, no directors waived any emoluments.

11. FINANCE COSTS

	The Group	
	1.1.2005 to 31.12.2005 *HK$'000*	1.7.2004 to 31.12.2004 *HK$'000* (Restated)
Interest on		
– Borrowings wholly repayable within five years	**2,204**	581
– Obligations under finance leases	**41**	21
	2,245	602

12. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group and the Company has no assessable profit for the year (2004: Nil).

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense/(income) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The Group – For the year ended 31 December 2005

	Hong Kong		**The PRC**		**Total**	
	HK$'000	**%**	***HK$'000***	**%**	***HK$'000***	**%**
(Loss)/profit before taxation	(14,678)		15,659		981	
Tax at the statutory tax rate	(2,569)	(17.50)	5,167	33.00	2,599	264.92
Expenses not deductible for tax	339	2.31	–	–	339	34.56
Tax effect of tax not recognised	2,213	15.07	–	–	2,213	225.54
Tax effect of income not taxable for tax purpose	17	0.12	–	–	17	1.75
Effect of tax exemptions granted to the PRC company	–	–	(5,167)	(33.00)	(5,167)	(526.77)
Tax charge for the year	–	–	–	–	–	–

The Group – For the six months period ended 31 December 2004

	Hong Kong		The PRC		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before tax	(9,642)		–		(9,642)	
Tax at the statutory tax rate	(1,687)	(17.5)	–	–	(1,687)	(17.5)
Income not subject to tax	(17)	(0.1)	–	–	(17)	(0.1)
Expenses not deductible for tax	271	2.8	–	–	271	2.8
Effect of tax losses not recognised	1,332	13.8	–	–	1,332	13.8
Effect of tax exemptions granted to the Group	101	1.0	–	–	101	1.0
Tax charge at the Group's effective rate	–	–	–	–	–	–

12. TAXATION

As at 31 December 2005, the Group had unused tax losses of approximately HK$14 million (2004: HK$58 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Pursuant to 迪地稅政履字2001 01號文件 and 迪地稅政履字2004 03號文件 issued by the PRC tax bureau, the Company is entitled to an exemption from the PRC enterprise income tax for the period from 1 January 2000 to 31 December 2005 (the "Tax Exemption Period") under the relevant tax rules and regulations in the PRC.

Shangeli-La Qinghuangdao Winery Limited ("Shangeli-La Qinghuangdao") being a foreign investment enterprise established in the Coastal Open Economics Region of Qinghuangdao, is subject to preferential enterprise income tax rate of 24% and is entitled to full exemption from the PRC enterprise income tax for two years starting from its first profit-making year and a 50% reduction for the next consecutive three years under the relevant tax law applicable to foreign investment enterprise in the PRC. Guangzhou Zangji Trading Co. Limited ("Guangzhou Zangji") is subject to the PRC enterprise income tax rate of 33% for any assessable profit arising for the year. Both Shangeli-La Qinghuangdao and Guangzhou Zangji have been reporting loss since their establishment.

13. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated profit of HK$981,000 (2004: (HK$9,642,000)) of which net loss attributable to shareholders of HK$1,844,000 (2004: HK$6,320,000) is dealt with in the financial statements of the Company.

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the Company's equity shareholders of HK$1,844,000 (six months ended 31 December 2004: loss of HK$6,320,000) and on 1,149,263,455 (2004: 1,149,263,455) shares in issue during the period.

There were no potential shares in existence for the year ended 31 December 2005 and for the six month period ended 31 December 2004, and, accordingly, no diluted loss per share has been presented.

15. LAND USE RIGHTS

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

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Outside Hong Kong, held on:		
Lease period between 10 to 50 years	4,799	–
Cost or valuation		
As at 1 January	–	–
Acquisition of subsidiaries	4,799	–
As at 31 December	4,799	–
Accumulated amortisation		
As at 1 January	–	–
Charge for the year	90	–
As at 31 December	90	–
Carrying amount		
As atr 31 December	4,709	–

Land use rights comprise cost of acquiring rights to use certain land which are all located in the PRC over fixed periods. Cost of prepaid lease for land use rights is amortised on a straight-line basis over the unexpired period of rights.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold Improvement HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Tools, equipment and moulds HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 July 2004	1,073	–	9,300	11,255	8,084	3,028	32,740
Additions	–	–	–	41	1,169	575	1,785
Disposals	–	–	(34)	(2)	(518)	(1,947)	(2,501)
At 31 December 2004 and 1 January 2005	1,073	–	9,266	11,294	8,735	1,656	32,024
Additions	934	5,498	3,482	162	1,845	–	11,921
Acquisition of subsidiaries	–	35,572	32,187	–	377	761	68,897
Disposals	–	–	(219)	(7,254)	(655)	–	(8,128)
At 31 December 2005	2,007	41,070	44,716	4,202	10,302	2,417	104,714
Depreciation and impairment:							
At 1 July 2004	220	–	8,985	10,086	6,349	2,204	27,844
Provided for the year	53	–	126	460	337	186	1,162
Impairment loss recognised in the income statement	800	–	–	–	175	160	1,135
Eliminated on disposals	–	–	(35)	–	(496)	(1,946)	(2,477)
At 31 December 2004 and 1 January 2005	1,073	–	9,076	10,546	6,365	604	27,664
Provided for the year	–	1,141	2,148	553	1,002	525	5,369
Disposals	–	–	(101)	(7,256)	(650)	–	(8,006)
At 31 December 2005	1,073	1,141	11,124	3,843	6,717	1,129	25,027
Net book value:							
At 31 December 2005	934	39,929	33,592	359	3,585	1,288	79,687
At 31 December 2004	–	–	190	748	2,370	1,052	4,360

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Tools, equipment and moulds *HK$'000*
Cost	
At 1 July 2004	7,429
Additions	17
At 31 December 2004 and 1 January 2005	7,446
Additions	38
Disposals	(7,240)
At 31 December 2005	244
Depreciation	
At 1 July 2004	7,246
Provided for the period	20
At 31 December 2004 and 1 January 2005	7,266
Provided for the year	44
Eliminated on disposals	(7,240)
At 31 December 2005	70
Net book value	
At 31 December 2005	174
At 31 December 2004	180

The net book value of property, plant and equipment of the Group in respect of assets held under finance leases comprises the following:

	2005 ***HK$'000***	2004 *HK$'000*
Plant and machinery	–	114
Motor vehicles	**843**	473
	843	587

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The directors have reviewed the carrying amount of property, plant and equipment at 31 December 2005. Certain principal subsidiaries generated profit for the year and therefore no impairment loss was recognised on certain tools, equipment and moulds and furniture and fixtures (2004: Impairment loss of approximately HK$1,135,000).

The Group's property, plant and equipment with the carrying amount of approximately HK$31,260,000 were pledged as securities for Group's short term borrowing.

The buildings are located in the PRC with a lease term of 30 years.

17. INTANGIBLE ASSETS

	Farmland Development HK$'000 (Note i)	Technical Know-how HK$'000	Trademark HK$'000	Total HK$'000
Cost				
At 1 July 2004 and 31 December 2004	–	–	–	–
Acquisition of subsidiaries	2,562	1,466	541	4,569
At 31 December 2005	2,562	1,466	541	4,569
Amortisation				
At 1 July 2004 and 31 December 2004	–	–	–	–
Amortisation for the year	–	191	41	232
At 31 December 2005	–	191	41	232
Net carrying amount				
At 31 December 2005	2,562	1,275	50	4,337
At 31 December 2004	–	–	–	–

Notes:

(i) Farmland development represents farmland expenditures, preparation costs capitalised in relation to planting of grapes for production of wine thereafter.

(ii) Farmland development, technical know-how and trademark are measured initially at cost and amortised on a straight-line basis over their estimated useful lives.

(iii) Amortisation of HK$232,000 is included in administrative expenses.

(iv) No amortisation of farmland development has been provided as the farmland was still in the preparation stage and the grapes has not been ready for use in wine production.

18. GOODWILL

	HK$'000 (Restated)
At 1 July 2004 and 31 December 2004	–
Transfer from goodwill reserve upon adoption of HKFRS 3	2,177
Acquisition of subsidiaries	11,453
Impairment of goodwill	(2,177)
At 31 December 2005	11,764

Following the adoption of HKFRS 3 with effect from 1 January 2005, the Group no longer amortised goodwill. In accordance to the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to country of operation a business segment as follows:–

	2005 *HK$'000*	2004 *HK$'000*
Production and distribution of wine	**11,764**	–

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flow beyond five-year period is extrapolated using the estimated rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculation:

	2005 *HK$'000*	2004 *HK$'000*
Gross margin	**35%**	–
Growth rate	**20%**	–
Discount rate	**7%**	–

Management determined the budget gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The impairment expenses wholly related to the Group's manufacture and distribution of electronic products business. As the CGU has been reduced to its recoverable amount, any adverse change used in the calculation of recoverable amount would cause the carrying amount to be less than the recoverable amount.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Unlisted shares, at cost	**74,269**	3,000
Less: Impairment loss of interests in subsidiaries	**(2,580)**	(2,580)
	71,689	420
Amounts due from subsidiaries	**10,039**	10,039
Less: Impairment loss of amounts due from subsidiaries	**(10,039)**	(10,039)
	–	–
	71,689	420

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable and therefore full impairment loss has been provided.

Particulars of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	**Place of Incorporation/ Registration and operation**	**Issued and fully paid share capital/ registered capital**	**Proportion of equity interest held by the Company**		**Principal activities**
			Directly %	Indirectly %	
Panorama Limited	British Virgin Islands	Registered capital US$50,000 issued US$1	100	–	Investment holding
Workplace Logistics Limited	British Virgin Islands	Registered capital US$50,000 issued US$1	100	–	Investment holding
Sharp Win (Holdings) Limited	Hong Kong	Ordinary HK$10,000	–	51	Investment holding
Sharp Win Industrial Limited	Hong Kong	Ordinary HK$2,500,000	–	80	Manufacture and trading of electronic products

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of Incorporation/ Registration and operation	Issued and fully paid share capital/ registered capital	Proportion of equity interest held by the Company Directly %	Indirectly %	Principal activities
天健生物(深圳)有限公司**	The People's Republic of China ("The PRC")	Registered capital HK$10,000,000	–	100	Manufacturing and trading of Chinese medical herbs
Yunnan Shangeli-la Winery Company Limited*	The PRC	Registered capital RMB56,560,000	70	–	Production of wine products
Shangelli-La (Qinhuangdao) Winery Limited*	The PRC	Registered capital RMB20,000,000	25	52.5	Production of wine products
Guangzhou Zangji Trading Co. Limited**	The PRC	Registered capital RMB3,010,000	–	63	Distribution of wine products
Diqing Shangeli-La Economics Development Zone Tinlai Winery Co. Limited**	The PRC	Registered capital RMB82,000,000	–	65.7	Distribution of wine products

* *Yunnan Shangeli-la Winery Company Limited and Shangelli-La (Qinhuangdao) Winery Limited were formed as a Chinese foreign equity joint venture company in the People's Republic of China under joint venture agreement dated 17 May 2005 and 3 June 2005 respectively.*

** *天健生物(深圳)有限公司, Guangzhou Zangji Trading Co. Limited and Diqing Shangeli-La Economics Development Zone Tinlai Winery Co. Limited were sino-foreign joint venture subsidiaries established in the PRC*

The above table listed the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

20. INVENTORIES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Raw materials	**18,066**	7,500
Work in progress	**20,572**	971
Finished goods	**4,493**	1,276
	43,131	9,747

At 31 December 2005, all inventories were carried at cost (2004: HK$813,000 were carried at net realisable value).

21. TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2004: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	The Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	**9,482**	11,396
90 days to 180 days	**2,019**	482
More than 180 days and within 360 days	**10,457**	10,134
	21,958	22,102
Less: provision for impairment losses of trade receivable *(Note ii)*	**(12,206)**	(8,400)
	9,752	13,612

Notes:

i The carrying amounts of trade receivables approximate their fair values.

ii The movements in provision for impairment losses of trade receivables were as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
At 1 January 2005/1 July 2004	**8,400**	4,200
Reversal of provision for impairment losses of trade receivables	**(2,849)**	–
Provision for impairment losses for the year/period	**6,655**	4,200
	12,206	8,400

22. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Prepayment	**2,704**	–	**263**	–
Deposit	**1,496**	–	**148**	–
Other receivables	**599**	2,345	**–**	1,207
	4,799	2,345	**411**	1,207

The carrying amounts of other receivables approximate to their fair values.

23. AMOUNTS DUE FROM RELATED PARTIES

	Maximum Debit balance	The Group	
		2005	2004
	HK$'000	HK$'000	HK$'000
			(Restated)
雲南香格里拉金六福酒業銷售有限公司 *(Note i)*	19,833	**19,833**	–
北京金六福酒有限公司 *(Note i)*	3,361	**3,361**	–
Sharp Win Manufacturing Limited *(Note ii)*	6	**6**	–
Sharp Win Investment Limited *(Note ii)*	7	**7**	–
Hung Kin Nam, Ricky *(Note iii)*	1,837	**743**	–
		23,950	–

Notes:

(i) 雲南香格里拉金六福酒業銷售有限公司 and 北京金六福酒有限公司 are related parties of the Group as Mr. Wu Xiang Dong, being an executive director of the Company is a common director of both companies.

(ii) Sharp Win Manufacturing Limited and Sharp Win Investment Limited are related parties of the Group as Mr. Hung Kin Nam, Ricky, being a director of the Company's subsidiaries is a common director of both companies.

(iii) Hung Kin Nam, Ricky is a director of the Company's subsidiaries namely Sharp Win (Holdings) Limited and Sharp Win Industrial Limited.

(iv) The amounts due are unsecured, interest fee and repayable on demand.

24. BANK BALANCES AND CASH

	The Group		The Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)
Cash at bank and in hand	**29,547**	76,376	**5,970**	75,891

Cash and bank overdrafts include the following for the purposes of the consolidated cash flow statements:

	The Group		The Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)
Cash and cash equivalent	**32,906**	79,632	**5,970**	75,891
Bank overdraft	**3,991**	16,935	**–**	–
	36,897	96,567	**5,970**	75,891

25. SHARE CAPITAL

	Number of Ordinary shares	Amount *HK$'000*
Shares of HK$0.01 each		
Authorised:		
At 31 December 2004 and 31 December 2005	16,000,000,000	160,000
Issued and fully paid:		
At 31 December 2004 and 31 December 2005	1,149,263,455	11,493

26. RESERVES

The Group

	Share premium *HK$'000*	Special reserve *HK$'000*	Translation reserve *HK$'000*	Statutory reserve *HK$'000*	Goodwill reserve *HK$'000*	Deferred tax reserve *HK$'000*	Accumulated Deficit *HK$'000*	Total *HK'000*
At 1 July 2004	34,621	604,497	–	–	(2,177)	–	(565,608)	71,333
Loss for the period	–	–	–	–	–	–	(6,322)	(6,322)
At 31 December 2004	34,621	604,497	–	–	(2,177)	–	(571,930)	65,011
Effect on adopting new accounting policies								
– HKFRS 3	–	–	–	–	2,177	–	–	2,177
Acuisition of subsidiaries	–	–	–	14	–	–	–	14
Exchange differences on consolidation	–	–	(216)	–	–	–	–	(216)
Loss for the year	–	–	–	–	–	–	(1,844)	(1,844)
At 31 December 2005	34,621	604,497	(216)	14	–	–	(573,774)	65,142

The Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated deficit *HK$'000*	Total *HK$'000*
At 1 July 2004	34,620	260,228	(223,562)	71,286
Loss for the period	–	–	(6,406)	(6,406)
At 31 December 2004	34,620	260,228	(229,968)	64,880
Loss for the year	–	–	(6,518)	(6,518)
At 31 December 2005	34,620	260,228	(236,486)	58,362

26. RESERVES *(continued)*

Contribution surplus

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's share issued in exchange thereof. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. 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.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were as follows:

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**260,228**	260,228
Accumulated deficit	**(236,486)**	(229,968)
	23,742	30,260

Special reserve

Special reserve of the Group represents the difference between the nominal value of the share capital and share premium of iQuorum Cybernet Limited acquired pursuant to the Group reorganization effective on 20 December 2001, over the nominal value of the Company's shares issued in exchange thereof.

Statutory reserve

Statutory reserve represents statutory surplus reserve and statutory public welfare fund reserve

Statutory surplus reserve

In accordance with the Group's articles of association, each entity shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations applicable to companies established in the PRC (the "PRC GAAP"), to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

26. RESERVES *(continued)*

Statutory public welfare fund reserve

In accordance with the Group's articles of association, each entity shall appropriate 5% to 10% of its annual statutory net profit (after offset against any prior years' losses), prepared in accordance with the PRC GAAP, to the statutory public welfare fund reserve.

Goodwill reserve

Goodwill reserve arising from acquisitions of subsidiaries prior to 1 July 2001 and would only be charged to income statement at the time of disposal of the relevant subsidiary, or as the goodwill is determined as impaired. Following from the adoption of HKFRS 3, the goodwill reserve has been reclassified and tested annually of impairment.

27. OBLIGATIONS UNDER FINANCE LEASES

The Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The maturity of obligations under finance leases is as follows:				
Within one year	**683**	288	**628**	262
More than one year, but not exceeding two years	**473**	142	**432**	140
More than two years, but not exceeding five years	**195**	–	**178**	–
	1,351	430	**1,238**	402
Less: Future finance charges	**(113)**	(28)	**–**	–
Present value of lease obligations	**1,238**	402	**1,238**	402
Less: Amounts due within one year shown under current liabilities			**(628)**	(262)
Amount due after one year			**610**	140

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. For the period from 1 July 2004 to 31 December 2004, the average effective borrowing rate was 7% (2004: 8.5%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The obligations under finance leases of the Group and is secured by the lessor's charge over the relevant leased assets.

28. DEFERRED TAX LIABILITIES

The deferred tax liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:–

	The Group
	HK$'000
Deferred tax arising from revaluation of land and buildings as follows:	
At 1 January 2004 and 31 December 2004	–
Acquisition of subsidiaries	2,600
At 31 December 2005	2,600

The deferred tax liabilities of the Group recognised in the consolidated balance sheet raised from revaluation of land and buildings of newly acquired subsidiaries.

In prior years, the deferred tax effects in respect of revalued land and buildings were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale. HK Int 21 "Deferred taxes – Recovery of revalued non-depreciable assets" now removes the aforesaid presumption and requires deferred tax effects arising from the revaluation of properties be measured on the basis of tax consequence that would follow from recovery of the carrying amount through use, at the profits tax rate. Accordingly, within the Group's overall deferred tax provisions, a provision for deferred tax liabilities with regard to revaluation of the Group's properties in the PRC amounting to HK$2,600,000 (2004: Nil) has been made.

The Group did not recognise deferred tax assets of HK$2,808,000 (Period from 1 July 2004 – 31 December 2004: HK$1,687,000) in respect of losses amounting to HK$14,416,000 (Period from 1 July 2004 – 31 December 2004: HK$9,642,000) that can be carried forward against future taxable income.

29. TRADE PAYABLES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	**15,366**	9,315
90 days to 180 days	**3,512**	1,542
More than 180 days and within 360 days	**4,192**	17
	23,070	10,874

The carrying amounts of trade payables approximate their fair values.

30. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Accruals	**1,506**	3,823	**1,449**	1,326
Deposit received	**6,525**	–	**–**	–
Other payables	**5,956**	–	**–**	–
	13,987	3,823	**1,449**	1,326

The carrying amounts of accruals, deposit received and other payables approximate their to fair values.

31. AMOUNTS DUE TO AN IMMEDIATE HOLDINGS COMPANY/ RELATED PARTIES

The amounts due approximate their fair value which are unsecured, interest free and repayable on demand.

32. BANK BORROWINGS AND OVERDRAFT – SECURED

	The Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Secured bank borrowings comprises:		
Import loans – secured	**36,495**	15,209
Bank overdrafts	**3,991**	1,726
	40,486	16,935
The borrowings are repayable as follows:		
Within one year or on demand	**40,486**	16,935
Less: Amounts due within one year or on demand shown under current liabilities	**(40,486)**	(16,935)
Amounts due after one year	**–**	–

Bank borrowing and overdrafts are secured by the property, plant and equipment and pledged bank deposits.

33. BUSINESS COMBINATION

On 17 May 2005, the Group acquired 70% of equity interest in Yunnan Shangeli-La Winery Co., Ltd ("Shangeli-La") and its subsidiaries ("Shangeli-La Group"). The acquisition therefore indirectly acquired 90% equity interest in Guangzhou Zangji Trading Co., Ltd, 93.9% equity interest in Diqing Shangeli-La Economics Development Zone Tinlai Winery Co., Ltd and 75% equity interest in Shangelia-La (Qinhuangdao) Winery Ltd ("Qinhuangdao"). On 31 May 2005, the Group further acquired 25% of equity interest in Qinhuangdao. The whole acquired business contributed turnover of HK$66,409,000 and net profit of HK$15,659,000 to the Group for the period from 17 May 2005 to 31 December 2005.

The fair value of the identifiable assets and liabilities of Shangeli-La Group and Qinhuangdao as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:–

	Fair value	**Carrying amount**
	HK$'000	*HK$'000*
Land use rights	4,799	4,799
Property, plant and equipment	68,897	68,897
Intangible assets	3,536	3,536
Inventories	36,460	35,959
Trade receivables	16,603	16,603
Prepayment, deposit and other receivables	10,835	10,835
Cash and bank balance	4,696	4,196
Trade payables	(12,876)	(12,876)
Deferred tax liabilites	(2,600)	(2,600)
Accruals and other payables	(16,632)	(16,632)
Bank interest bearing borrowings	(19,231)	(19,421)
Net assets	94,487	93,296
Minority interest	(34,983)	
Net assets acquired	59,504	
Details of goodwill are as follow:–		
– Cash paid		69,408
– Direct costs relating to acquisition		1,860
		71,268
Fair value of net assets acquired		(59,504)
Goodwill		11,764

33. BUSINESS COMBINATION *(continued)*

Net cash outflow in respect of the acquisition of subsidiaries:

Cash consideration paid	62,908
Cash and bank balance acquired	(4,696)
	58,212

The subsidiaries acquired during the year contributed approximately HK$66,410,000 to the Group's turnover and profit after taxation and minority interests of approximately HK$10,715,000 to the Group's profit for the year.

There was no acquisition of subsidiaries for the period from 1 July 2004 to 31 December 2004.

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2005, the Group entered into a finance lease arrangement in respect of the acquisition of property, plant and equipment of HK$1,137,000 (six months ended 31 December 2004: HK$696,000).

35. PLEDGE OF ASSETS

At balance sheet date, the Group pledged the following assets to secure the banking facilities granted to the Group:

	2005	2004
	HK$'000	*HK$'000*
Time deposits	**3,354**	3,256
Property, plant and equipment	**31,260**	–

36. OPERATING LEASES

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating lease in respect of rented premises which fall due as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,602**	1,230
In the second to fifth year inclusive	**1,516**	378
Over five years	**16,999**	–
	20,117	1,608

Operating lease payments represent rentals payable by the Group for certain of its office properties and farmland for wine production. The average lease term is 1 – 2 years for office properties and five years for farmland for wine production. Rentals are fixed and no arrangement has been entered into for contingent rental payments.

37. EMPLOYEE BENEFITS

Retirement Benefit Scheme

The Group operates a defined contribution retirement scheme (the "Defined Contribution Scheme") for certain qualifying employees. The assets of the Defined Contribution Scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost of the Defined Contribution Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contribution, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, the re was no significant forfeited contributions which arose upon employees leaving the Defined Contribution Scheme and which was available to reduce the contributions payable in future years.

With effective from 1 December 2001, the Group has jointed a mandatory provident fund scheme (the "MPF Scheme") for all other qualifying employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The retirement benefits cost of the MPF Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basis salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

38. SHARE OPTION SCHEMES

On 16 September 2002, the Company adopted a share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to its directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be not less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's share for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted under the 2002 Scheme since its adoption.

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) **In addition to the balances with related parties disclosed under notes 23 and 31 to the financial statements, during the year, the Group has entered into the following significant related party transactions which in the opinion of the Directors were conducted under commercial terms and in the normal course of the Group's business.**

	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000*
Sales of goods		
– 雲南香格里拉金六福酒業銷售有限公司		
– Received	**28,417**	–
– Receivable	**19,833**	–
– 北京金六福酒有限公司		
– Receivable	**149**	–

(i) The above transactions were carried out at cost plus mark-up basis.

(ii) 雲南香格里拉金六福酒業銷售有限公司 and 北京金六福酒有限公司 are related parties of the Group as Mr Wu Xiang Dong, being an executive director of the Company is a common director of both companies.

39. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in note 10, is as follows:–

	The Group	
	1.1.2005 to 31.12.2005	1.7.2004 to 31.12.2004
	HK$'000	*HK$'000*
Salaries	**2,905**	2,067
Short term employee benefit	**1,195**	89
	4,100	2,156

(c) Details of outstanding balances with related parties are set out in note 23 and 31 to the financial statements. An outstanding amount of approximately HK$743,000, was due from Hung Kin Nam, Ricky, a director of a subsidiary, is included in amount due from related parties.

(d) On 17 May 2005, the Group acquired 70% of equity interest in Yunnan Shangeli-La Winery Co., Ltd from MACRO-LINK Sdn. Bhd, the immediate holding company of the Company, and 25% equity interest in Shangeli-La (Qinhuangdao) Winery Co., Ltd. from 北京金六福酒有限公司, a related company with a common director, at a consideration of RMB 71,268,000. An announcement has made for such acquisition on 23 February 2005. The consideration was paid in cash with outstanding balance of HK$6,500,000 included in amount due to related parties as at 31 December 2005.

40. GOVERNMENT GRANTS

During the year, the Group received government subsidies of HK$1,734,000 for the contribution towards the business in Yunnan. The amount have been included in other revenue in the consolidated income statement for the year ended 31 December 2005 (2004: Nil).

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2006.