Notes to Financial Statements

31 DECEMBER 2003

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 October 1992. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Group is located at Suite 3301, Tower I, Lippo Centre, 89 Queensway, Hong Kong.

During the year, the principal activity of the Group was the production and trading of Shao Xing wine. Subsequent to the balance sheet date, the Group disposed of and discontinued its production and trading of Shao Xing wine business and acquired certain new businesses. The details of the disposal and the acquisitions are set out in notes 10 and 37 to the financial statements.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following revised SSAP is effective for the first time for the current year's financial statements:

- SSAP 12 (Revised): "Income taxes"

This SSAP prescribes new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry-forward of unused tax losses (deferred tax).

This SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 9 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and is amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Notes to Financial Statements

31 DECEMBER 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

Notes to Financial Statements

31 DECEMBER 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term land use right	Over the term of the relevant land use right
Leasehold land and buildings	2% – 5%
Machinery and equipment	9% – 25%
Furniture and fixtures	9% – 25%
Motor vehicles	18% – 20%
Wine jugs	5%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The gain or loss on disposal or retirement of an asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises all construction costs and other direct costs attributable to such projects, including borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is reclassified to the appropriate categories of property, plant and equipment when completed and ready for use.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and their estimated useful lives. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivables under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Intangible assets

Intangible assets represent the production technology and knowhow in setting up new manufacturing facilities of a subsidiary, Dong Feng Shao Xing Wine Co., Ltd. ("Dong Feng") in 1994. The value of the intangible assets represents the excess of the agreed contribution by the other joint venture partner pursuant to the joint venture agreement over the actual fair value of tangible assets contributed by the joint venture partner into Dong Feng and is amortised on the straight-line basis over the 20-year tenure of Dong Feng.

Long term investments

Long term investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long term investments *(Continued)*

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental and leasing income, on the straight-line basis over the term of the relevant lease; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and effective interest rates applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flow. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In the prior year, the Group also operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. The Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited employer's contributions. The Prior Scheme was terminated on 15 August 2003 upon the redundancy of all employees in Hong Kong.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement schemes (Continued)

The employees of the Group's subsidiaries which operate in Mainland China are members of the Central Pension Scheme operated by the People's Republic of China (the "PRC") government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation of the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the Central Pension Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

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 operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented for the Group's primary segment reporting basis, by business segment. For geographical segments, as over 90% of the Group's revenue, results, assets and liabilities are derived from customers based in Mainland China, no further analysis is presented.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the wine products segment engages in the manufacture, sale and distribution of Shao Xing wine (the discontinuing operations – note 10); and

(b) the ostrich products segment engaged in ostrich farming and the processing and distribution of ostrich leather and meat (the discontinued operations – note 11).

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Financial Statements

31 DECEMBER 2003

4. SEGMENT INFORMATION *(Continued)*

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Discontinuing wine products		Discontinued ostrich products		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Turnover	**195,456**	152,916	**–**	–	**195,456**	152,916
Segment results	**35,293**	22,993	**–**	(1,893)	**35,293**	21,100
Unallocated income					**1,910**	279
Unallocated expenses					**(43,704)**	(27,258)
Loss from operating activities					**(6,501)**	(5,879)
Finance costs					**(12,533)**	(10,438)
Loss before tax					**(19,034)**	(16,317)
Tax					**(6,229)**	(6,697)
Loss before minority interests					**(25,263)**	(23,014)
Minority interests					**(11,430)**	(4,939)
Net loss from ordinary activities attributable to shareholders					**(36,693)**	(27,953)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Group *(Continued)*

	Discontinuing wine products		Discontinued ostrich products		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**413,391**	421,637	**–**	–	**413,391**	421,637
Unallocated assets					**153,306**	54,218
Total assets					**566,697**	475,855
Segment liabilities	**292,100**	216,265	**–**	–	**292,100**	216,265
Unallocated liabilities					**6,089**	3,262
Total liabilities					**298,189**	219,527
Other segment information:						
Depreciation	**15,037**	10,426	**–**	–	**15,037**	10,426
Unallocated amounts					**421**	844
Total					**15,458**	11,270
Amortisation of intangible assets	**1,360**	1,366	**–**	–	**1,360**	1,366
Impairment of a deposit for investment, unallocated					**10,416**	–
Impairment of a long term investment, unallocated					**712**	820
Impairment of property, plant and equipment, net of amount written back, unallocated					**–**	(1,511)
Capital expenditure	**6,145**	7,944	**–**	–	**6,145**	7,944

5. TURNOVER, REVENUE AND GAIN

Turnover represents the aggregate of the invoiced value of goods sold, net of discounts and returns.

An analysis of the Group's turnover, revenue and gain is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sale of Shao Xing wine – discontinuing operations	**195,456**	152,916
Other revenue and gain		
Other revenue		
Bank interest income	**162**	162
Other interest income	**1,376**	–
Rental income from leasing of property, plant and equipment	**42**	101
Others	**657**	325
	2,237	588
Gain		
Gain on disposal of property, plant and equipment	**233**	–
	2,470	588

6. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging/(crediting):

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**125,410**	97,702
Auditors' remuneration		**800**	755
Depreciation	*15*	**15,458**	11,270
Amortisation of intangible assets*	*16*	**1,360**	1,366
Impairment of a long term investment***	*20*	**712**	820
Impairment of property, plant and equipment, net of amount written back***		**–**	(1,511)
Provision against amounts due from associates***	*18*	**424**	1,184
Loss on liquidation and disposal of discontinued operations***	*11*	**–**	1,893
Staff costs (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**20,451**	18,962
Pension scheme contributions		**278**	149
Forfeited contributions		**(55)**	–
Net pension contributions**		**223**	149
		20,674	19,111
Loss on disposal of property, plant and equipment		**–**	154
Minimum lease payments under operating leases on land and buildings		**1,797**	1,393
Exchange losses, net		**706**	61

* *The amortisation of intangible assets for the year is included in "Administrative expenses" on the face of the consolidated profit and loss account.*

** *There were no forfeited retirement scheme contributions available at the balance sheet date to reduce contributions in future years (2002: Nil).*

*** *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

7. FINANCE COSTS

	Group 2003 HK$'000	2002 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**7,478**	9,096
Interest on other borrowings wholly repayable within five years	**3,054**	1,319
Interest on finance leases	**1**	23
Loan arrangement fees	**2,000**	–
	12,533	10,438

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group 2003 HK$'000	2002 HK$'000
Fees	**400**	466
Other emoluments:		
Salaries, allowances and benefits in kind	**2,081**	4,798
Performance related bonuses	**3,700**	–
Pension scheme contributions	**21**	73
	5,802	4,871
	6,202	5,337

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

Fees include HK$355,000 (2002: HK$106,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

The number of directors whose remuneration fell within the bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**11**	6
HK$2,000,001 – HK$2,500,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
	12	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five highest paid employees during the year comprised five executive directors (2002: five executive directors), details of whose remuneration are set out above.

9. TAX

No Hong Kong profits tax has been provided as the Company and its subsidiaries either had no assessable profits arising in Hong Kong, or had available tax losses brought forward from prior years to offset against assessable profits arising in Hong Kong for the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. TAX *(Continued)*

	Group	
	2003	2002
	HK$'000	*HK$'000*
Provision for the year:		
Company and subsidiaries:		
Hong Kong	**–**	–
Elsewhere	**6,229**	6,697
Total tax charge for the year	**6,229**	6,697

A reconciliation of the tax expense applicable to the loss before tax using statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates as follows:

	2003	2002
	HK$'000	*HK$'000*
Loss before tax	**(19,034)**	(16,317)
Tax at the statutory rate of 17.5% (2002: 16%)	**(3,331)**	(2,611)
Higher tax rates of other countries#	**2,538**	1,678
Income not subject to tax	**(732)**	(518)
Expenses not deductible for tax	**5,690**	5,820
Tax losses not recognised	**2,201**	2,328
Tax losses utilised from previous period	**(137)**	–
Tax charge at the Group's effective rate	**6,229**	6,697

The subsidiary operating in Mainland China is subject to a statutory tax rate of 26.4% (2002: 26.4%) for its profits generated during the year.

9. TAX *(Continued)*

At 31 December 2003, the Group has no significant potential deferred tax liabilities (2002: Nil) for which provision has not been made. There is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

The Group has tax losses arising in Hong Kong of HK$52,378,000 (2002: HK$45,644,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these loses as they have arisen in subsidiaries that have been loss-making for some time.

10. DISCONTINUING OPERATIONS

On 19 March 2004, the Company entered into a conditional agreement (and supplemented by a further agreement dated 29 March 2004) to dispose of its entire interest in the issued share capital of an indirect wholly-owned subsidiary, All Paramount International Limited ("All Paramount"), to an independent third party at a consideration of approximately HK$45 million (the "Disposal"). The principal asset of All Paramount is its 49% equity interest in Dong Feng. Included in All Paramount, there were also other borrowings of HK$80 million from an independent third party (see note 27 to the financial statements). A total amount of HK$62.2 million was utilised by a subsidiary of the Group for the granting of advances to two independent third parties, details of which are set out in note 24 to the financial statements. Details of the Disposal were set out in the Company's circular despatched to shareholders of the Company dated 15 April 2004 and note 37(e) to the financial statements.

The Disposal will result in the discontinuance of the production and trading of Shao Xing wine business as it forms a major part of the Group's Shao Xing wine business segment. The Disposal was completed on 2 April 2004 (note 37(e)).

In the opinion of the Company's directors, the Disposal is also consistent with the Group's new investment strategy to diversity its business and to minimise the risk of the Group's reliance on a single business. The Disposal can enable the Group to realise its investment in the Shao Xing wine business and to refocus the Group's resources on expanding its newly acquired businesses which include beauty and health care business and jewellery business as further detailed in note 37(a), 37(b) and 37(d) to the financial statements.

Notes to Financial Statements

10. DISCONTINUING OPERATIONS *(Continued)*

The turnover, other revenue, expenses and results of the Shao Xing wine business for the two years ended 31 December 2003 and 2002 were as follows:

	2003 *HK$'000*	2002 *HK$'000*
TURNOVER	**195,456**	152,916
Cost of sales	**(125,410)**	(97,702)
Gross profit	**70,046**	55,214
Other revenue	**746**	471
Selling and distribution costs	**(17,847)**	(14,966)
Administrative expenses	**(15,984)**	(14,501)
Provision for bad and doubtful debts	**(1,456)**	(1,292)
Impairment of property, plant and equipment	**–**	(1,771)
PROFIT FROM OPERATING ACTIVITIES	**35,505**	23,155
Finance costs	**(12,072)**	(10,359)
PROFIT BEFORE TAX	**23,433**	12,796
Tax	**(6,229)**	(6,697)
PROFIT BEFORE MINORITY INTERESTS	**17,204**	6,099
Minority interests	**(11,430)**	(4,939)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**5,774**	1,160

10. DISCONTINUING OPERATIONS *(Continued)*

The carrying amounts of the total assets, liabilities and minority interests relating to the discontinuing operations at 31 December are as follows:

	2003	2002
	HK$'000	*HK$'000*
		(Restated)
Total assets	**444,080**	416,880
Total liabilities	**(292,665)**	(281,829)
Minority interests	**(107,453)**	(96,451)
Net assets	**43,962**	38,600

11. DISCONTINUED OPERATIONS

In 2001, the Group's ostrich product operations were discontinued following the granting of a court order for the provisional liquidation of Oryx Tanning Company (Proprietary) Limited, Kenwell Cape Farm (Proprietary) Ltd., Kenwell Farm (Proprietary) Ltd., and Oryx Abattoir Property (Proprietary) Limited. In the prior year, further losses of HK$1,893,000 were charged to the consolidated profit and loss account which represented legal and other related expenses in connection with the aforesaid liquidation.

During the year, the Group did not have any significant transactions in connection with this discontinued business.

12. PRIOR YEAR ADJUSTMENT

Included in minority interests in the consolidated balance sheet is a debit balance of HK$11,088,000 which represented the share of loss by a minority shareholder of a former subsidiary in excess of its capital contribution to that subsidiary. This subsidiary was disposed of in 2000 and such debit balance was not included in computing the loss on disposal in 2000. This error has been accounted for as a prior year adjustment. The effect of the adjustment is to increase minority interest as well as the accumulated losses as at 1 January 2002 and 31 December 2002 by the same amount. There is no tax effect in respect of this adjustment.

Notes to Financial Statements

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company amounted to HK$37,319,000 (2002: HK$92,681,000) (note 32(b)).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK$36,693,000 (2002: HK$27,953,000) and the weighted average number of 4,080,935,888 ordinary shares (2002: 3,993,409,113) in issue during the year, as adjusted to reflect the rights issue completed during the year.

Diluted loss per share amounts for the years ended 31 December 2003 and 2002 have not been disclosed, because there were no potential ordinary shares in existence during the years ended 31 December 2003 and 2002.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Wine jugs HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2003	162,112	94,283	9,621	6,273	–	–	272,289
Additions	104	–	145	774	–	5,122	6,145
Transfers	995	4,025	–	–	–	(5,020)	–
Transfer from inventories	–	–	–	–	34,213	–	34,213
Disposals	(11,432)	(18,789)	(3,513)	(1,432)	–	–	(35,166)
Exchange realignment	(668)	(325)	(21)	(20)	–	–	(1,034)
At 31 December 2003	**151,111**	**79,194**	**6,232**	**5,595**	**34,213**	**102**	**276,447**
Accumulated depreciation and impairment:							
At 1 January 2003	42,631	56,197	9,291	4,711	–	–	112,830
Provided during the year	5,649	5,337	275	650	3,547	–	15,458
Disposals	(3,389)	(18,746)	(3,512)	(891)	–	–	(26,538)
Exchange realignment	(175)	(156)	(19)	(17)	–	–	(367)
At 31 December 2003	44,716	42,632	6,035	4,453	3,547	–	101,383
Net book value:							
At 31 December 2003	**106,395**	**36,562**	**197**	**1,142**	**30,666**	**102**	**175,064**
At 31 December 2002	119,481	38,086	330	1,562	–	–	159,459

The Group's land and buildings are all situated outside Hong Kong and are all held under medium term leases.

In the prior year, certain of the Group's land and buildings with a net book value of HK$7,800,000 as at 31 December 2002 were pledged to secure general banking facilities granted to the Group.

As detailed in note 22 to the financial statements below, wine jugs of HK$34,213,000, were transferred from inventories to property, plant and equipment. In the opinion of the Company's directors, such transfer was consistent with the change in use of wine jugs during the year.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2003	204	1,566	1,770
Disposals	(204)	(1,566)	(1,770)
At 31 December 2003	–	–	–
Accumulated depreciation:			
At 1 January 2003	156	779	935
Provided during the year	14	201	215
Disposals	(170)	(980)	(1,150)
At 31 December 2003	–	–	–
Net book value:			
At 31 December 2003	–	–	–
At 31 December 2002	48	787	835

In the prior year, the net carrying amount of the Company's and the Group's assets held under finance leases included in the total amount of motor vehicles at 31 December 2002, amounted to HK$566,000.

16. INTANGIBLE ASSETS

Group

	Production technology and knowhow
	HK$'000
Cost:	
At 1 January 2003	27,327
Exchange realignment	(121)
At 31 December 2003	27,206
Accumulated amortisation:	
At 1 January 2003	12,297
Provided during the year	1,360
Exchange realignment	(54)
At 31 December 2003	13,603
Net book value:	
At 31 December 2003	13,603
At 31 December 2002	15,030

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**69,321**	69,321
Due from subsidiaries	**415,033**	415,701
	484,354	485,022
Provision for impairment	**(396,831)**	(396,831)
	87,523	88,191

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Shaoxing Wine Holdings (Hong Kong) Limited	Hong Kong	HK$5,000,000 ordinary shares	–	100	Trading of wine
Dong Feng Shao Xing Wine Co., Ltd. – *Note (ii)*#	PRC/Mainland China	US$19,980,000 registered capital	–	49 *Note (i)*	Production and trading of Shao Xing wine
Firstone Corporate Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of wine and other food products
Firstone Enterprises Limited	British Virgin Islands/ Hong Kong	HK$67,349,601 ordinary shares	100	–	Investment holding
Multigerm (Shaoguan) Limited – *Note (ii)**	PRC/Mainland China	HK$1,680,000 registered capital	–	70	Dormant
Ostrindo Holdings Limited	British Virgin Islands/ Hong Kong	US$1,000 ordinary shares	–	100	Investment holding
All Paramount International Limited#	British Virgin Islands/ Hong Kong	US$1 ordinary share	–	100	Investment holding
Super Access Investments Limited	British Virgin Islands/ Hong Kong	US$1 ordinary share	100	–	Advance of loans

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) Dong Feng is registered as a contractual joint venture under the laws and regulations in Mainland China.

Pursuant to an agreement (the "Voting Agreement") entered into between Firstone Food & Beverage Industry Company Limited ("FFB"), a wholly-owned subsidiary of the Company and the other joint venture partner of Dong Feng (the "PRC Joint Venture Partner") in 1998, the PRC Joint Venture Partner agreed to vote unconditionally in favour of FFB in all future shareholders' meetings of Dong Feng. Accordingly, Dong Feng has been treated as a subsidiary of the Company.

In November 2003, the PRC Joint Venture Partner was officially approved to have its shareholding in Dong Feng be transferred to ZheJiang China Light & Textile Industrial City Group Co., Ltd ("Hing Fong"). Hing Fong and the PRC Joint Venture Partner indicated that due to their latest corporate policy, the validity of the Voting Agreement would have no further effect as from 1 January 2004, therefore Dong Feng will be treated as an associate of the Group with effect from that date.

(ii) Subsidiaries not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Subsequent to the balance sheet date, the Group disposed of its equity interests in All Paramount and Dong Feng to an independent third party, the details of which are set out in notes 10 and 37(e) to the financial statements.

* *Multigerm (Shaoguan) Limited is registered as a wholly-foreign owned enterprise under the laws and regulations in Mainland China.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	–	–
Amounts due from associates	**52,070**	52,046
Provision against amounts due from associates	**(52,070)**	(51,646)
	–	400

18. INTERESTS IN ASSOCIATES *(Continued)*

The balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, they will not be repayable within twelve months from the balance sheet date and accordingly, the amounts have been classified as non-current assets.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Centra Intertraco Limited	Corporate	Hong Kong	35	Investment holding
Shenzhen Capstone Food and Beverage Co., Ltd.	Corporate	PRC/Mainland China	24.5	Dormant
Shaoguan Quan Tong Industrial Ltd.	Corporate	PRC/Mainland China	25	Dormant

19. LONG TERM RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Long term receivables due from:				
Lixcon Limited	–	24,431	–	24,431
Alpha Best Holdings Limited	–	2,700	–	–
	–	27,131	–	24,431
Portion classified under current assets	–	(2,700)	–	–
Non-current assets	–	24,431	–	24,431

19. LONG TERM RECEIVABLES *(Continued)*

Receivable from Lixcon Limited

At 31 December 2002, the balance due from Lixcon Limited ("Lixcon") amounted to HK$24,431,000 (the "Debt") which represents outstanding funds advanced to and trading balances with Lixcon and its subsidiaries prior to their disposal by the Group in 1997. The Company entered into an agreement with Lixcon in 2000 (the "Initial Settlement Agreement") pursuant to which Lixcon agreed to repay the outstanding balances in future years according to an agreed repayment schedule. In accordance with the repayment schedule as stipulated in the Initial Settlement Agreement, full settlement should have been made by March 2003.

During the year, Lixcon defaulted on the repayment schedule. On 22 April 2003, the Company filed a litigation against Lixcon and two guarantors to recover the Debt.

On 30 May 2003, the Company, Lixcon and certain guarantors entered into a further settlement agreement (the "Second Settlement Agreement") pursuant to which the Company agreed to waive an amount of HK$8,431,000 and allowed Lixcon to repay the remaining outstanding balance according to a revised repayment schedule. Subsequent to the execution of the Second Settlement Agreement, an aggregate amount of HK$3,000,000 was received from Lixcon and the claim previously filed by the Company was withdrawn accordingly in June 2003.

On 18 July 2003, the same parties to the Second Settlement Agreement entered into a third settlement agreement (the "Third Settlement Agreement") pursuant to which the Company agreed to waive a further amount of HK$4,000,000 and accepted a total sum of HK$9,000,000 as full and final settlement of the outstanding amount.

Pursuant to the Second and Third Settlement Agreement, an aggregate write-off of the Debt amounting to HK$12,431,000 was charged to the consolidated profit and loss account for the current year. By 31 December 2003, the remaining outstanding amount of HK$9,000,000 due from Lixcon had been fully settled.

Receivable from Alpha Best Holdings Limited

The receivable due from Alpha Best Holdings Limited ("Alpha Best") represents sales proceeds receivable for the disposal of the Company's subsidiaries, Sinatone Limited and Dongguan Meijiang Electronics Manufacturers Co., Ltd. in 2000. The Company entered into agreements with Alpha Best pursuant to which Alpha Best agreed to repay the outstanding amounts in subsequent years in accordance with the predetermined repayment schedule. The remaining balance was fully settled during the year.

20. LONG TERM INVESTMENT

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	**156,514**	156,514
Due from an investee	**518**	–
Provision for impairment	**(156,232)**	(155,520)
	800	994

The long term investment represents an unlisted investment of a 11.14% equity interest in a company incorporated in the British Virgin Islands which owns a group of subsidiaries, the operations of which were terminated in prior years.

21. DEPOSIT FOR INVESTMENT

The deposit for investment was paid for a proposed acquisition of an equity interest in an investment which is engaged in the provision of telephone services in Indonesia. At 31 December 2003, an impairment loss of HK$10,416,000 has been estimated by the directors against the deposit paid in view of the prevailing unfavourable environment surrounding the telecommunications market in Indonesia.

22. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**9,415**	42,782
Work in progress	**29,893**	21,177
Finished goods	**121,610**	147,190
	160,918	211,149

At 31 December 2002, the carrying amount of inventories carried at net realisable value included in the above balance was HK$23,000. No inventory items were carried at net realisable value at 31 December 2003.

22. INVENTORIES *(Continued)*

During the year, wine jugs of HK$34,213,000 which were previously grouped under raw materials were transferred to property, plant and equipment. In the opinion of the Company's directors, the transfer would better reflect the change in use of these wine jugs from being held for resale to being used for storage purpose.

23. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current to 3 months	**8,779**	8,199
3 to 6 months	**2,799**	2,463
Over 6 months	**1,739**	4,419
	13,317	15,081

24. LOAN RECEIVABLES

Pursuant to a loan facility agreement dated 13 August 2003 entered into between the Group and an independent third party ("Company A"), the Group agreed to grant a maximum facility of HK$35 million to Company A under which the amount advanced bore interest at a rate of 1% over the best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("HSBC") per annum. The outstanding loan amount was repayable six months from the date of the loan agreement, being 12 February 2004. The loan was secured by a charge over all the issued shares and shareholders' loan of a wholly-owned subsidiary held by Company A, which is engaged in Japanese restaurant operations in Hong Kong. At 31 December 2003, HK$30 million had been advanced by the Group to Company A. Subsequent to the balance sheet date, the outstanding balance was fully settled by Company A.

Pursuant to a loan facility agreement dated 23 September 2003 entered into between the Group and independent third party ("Company B"), the Group agreed to grant a maximum facility of HK$35 million to Company B under which the amount advanced bore interest at a rate of 1% over the best lending rate quoted by HSBC per annum. The outstanding loan amount was repayable six months from the date of the loan agreement, being 22 March 2004. The loan was secured by a charge over all the issued shares and shareholders' loan of a subsidiary of Company B, which is engaged in apparel trading with an extensive distribution network in Hong Kong, Macau and Mainland China. At 31 December 2003, HK$32.2 million had been advanced by the Group to Company B. Subsequent to the balance sheet date, the outstanding balance was fully settled by Company B.

Pursuant to loan agreements dated 11 November 2003 and 23 December 2003 entered into between the Group and an independent third party ("Company C"), the Group advanced an amount of HK$500,000 each time to Company C which bears interest at a rate of 5% per annum. The outstanding loan amount is repayable six months from the date of the loan agreements, being 11 May 2004 and 22 June 2004. The loan is secured by a personal guarantee of the shareholder of Company C. At 31 December 2003, HK$1 million had been advanced by the Group to Company C. Subsequent to the balance sheet date, Company C became a subsidiary of the Group immediately following the acquisition of the beauty and health care business as detailed in note 37(a) to the financial statements.

25. CASH AND CASH EQUIVALENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Cash and bank balances	**134,263**	24,808
Time deposits, which are not restricted as to use	**–**	1,504
	134,263	26,312

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$46,741,000 (2002: HK$21,865,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current to 3 months	**18,942**	16,565
3 to 6 months	**322**	2,059
Over 6 months	**2,629**	2,261
	21,893	20,885

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts, secured	**–**	2,440
Bank borrowings, secured	**138,679**	143,152
Trust receipt loans, secured	**–**	1,249
Other borrowings, secured	**80,000**	–
	218,679	146,841
Interest-bearing bank and other borrowings are repayable as follows:		
Within one year or on demand	**218,679**	143,894
In the second year	**–**	974
In the third to fifth years, inclusive	**–**	1,973
	218,679	146,841
Portion classified as current liabilities	**(218,679)**	(143,894)
Long term portion	**–**	2,947

At 31 December 2003, the Group's bank borrowings are secured by a guarantee granted by a minority shareholder of a subsidiary.

At 31 December 2002, certain of the Group's bank borrowings and overdrafts were secured by either (i) certain land and buildings of a subsidiary with an aggregate carrying amount at the balance sheet date of approximately HK$7,800,000 or (ii) a guarantee granted by a minority shareholder of a subsidiary.

The other borrowings are borrowed from an independent third party, bear interest at the best lending rate quoted by the HSBC per annum and are secured by a charge over all of the issued shares and shareholders' loans of certain subsidiaries of the Group. As further detailed in notes 10 and 37(e) to the financial statements, the Disposal resulted in the discharge of the other borrowings subsequent to the balance sheet date.

28. FINANCE LEASE PAYABLES

The Group leases certain of its property, plant and equipment for its operations. These leases were classified as finance leases in prior years and have been fully repaid as at 31 December 2003.

At 31 December 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group and Company

	Minimum lease payments 2003 *HK$'000*	Minimum lease payments 2002 *HK$'000*	**Present value of minimum lease payments 2003 *HK$'000***	Present value of minimum lease payments 2002 *HK$'000*
Amounts payable:				
Within one year	**–**	53	**–**	53
In the second year	**–**	–	**–**	–
Total minimum finance lease payments	**–**	53	**–**	53
Future finance charges	**–**	–		
Total net finance lease payables	**–**	53		
Portion classified as current liabilities	**–**	(53)		
Long term portion	**–**	–		

29. DUE TO A MINORITY SHAREHOLDER

The amount due is unsecured, bears interest at the prevailing market interest rate as quoted by a bank in Mainland China, which approximates to 5.04% per annum (2002: 5.04% per annum) and has no fixed terms of repayment. The total interest expenses charged for the year amounted to HK$1,327,000 (2002: HK$1,263,000).

Notes to Financial Statements

31 DECEMBER 2003

30. SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	*HK$'000*
Authorised:		
25,000,000,000 (2002: 25,000,000,000) ordinary shares of HK$0.01 each	**250,000**	250,000
50 (2002: 50) convertible preference shares of HK$1,000,000 each	**50,000**	50,000
Issued and fully paid:		
7,986,818,226 (2002: 3,993,409,113) ordinary shares of HK$0.01 each	**79,868**	39,934

During the year, the movement in issued and fully paid share capital was attributed by the allotment of shares pursuant to a rights issue of one rights share for every share held by members on the register of members on 4 December 2003. The subscription price for each rights share was HK$0.01 each. The rights issue was completed on 23 December 2003 and resulted in the issue of 3,993,409,113 shares of HK$0.01 each for cash of approximately HK$40 million. The proceeds from the rights issue were used to finance the Group's daily operation, develop its existing business and diversify the Group's business.

31. SHARE OPTION SCHEME

A previous share option scheme was adopted by the Company on 16 September 1992 and was expired on 15 September 2002. Subsequent to the balance sheet date on 28 January 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest ("Invested Entity"). Eligible participants of the New Scheme include mainly the directors, employees, suppliers of goods or services, customers, shareholders, business partners and professional advisers of the Company or any Invested Entity. The New Scheme became effective on 29 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme is 870,681,822 shares, being an amount equivalent to 10% of the shares of the Company at 28 January 2004, being the date of the shareholders of the Company approving the New Scheme. The maximum number of shares issuable under the share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

31. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which the exercise period may commence on the date on which the offer for the grant of share options is made and end on a date which is not later than 10 years from the date of the offer of the share options subject to any provisions of the New Scheme determining the rights of the grantees.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer and (iii) the nominal value of a share of the Company.

As at 31 December 2003, no share option was granted. Details of the subsequent movement in share options after the balance sheet date under the New Scheme are set out in note 37(c) to the financial statements.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. RESERVES

(a) Group

	Share premium account HK$'000	Translation reserve HK$'000	PRC statutory reserves* HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2002:							
As previously reported	542,584	4,164	9,909	31	191,389	(588,342)	159,735
Prior year adjustment *(note 12)*	–	–	–	–	–	(11,088)	(11,088)
As restated	542,584	4,164	9,909	31	191,389	(599,430)	148,647
Exchange difference arising on translation of overseas subsidiaries	–	(751)	–	–	–	–	(751)
Appropriations to reserve funds by PRC subsidiaries	–	–	1,250	–	–	(1,250)	–
Net loss for the year	–	–	–	–	–	(27,953)	(27,953)
At 31 December 2002	542,584	3,413	11,159	31	191,389	(628,633)	119,943
At 1 January 2003:							
As previously reported	542,584	3,413	11,159	31	191,389	(617,545)	131,031
Prior year adjustment *(note 12)*	–	–	–	–	–	(11,088)	(11,088)
As restated	542,584	3,413	11,159	31	191,389	(628,633)	119,943
Share issue expenses	(1,650)	–	–	–	–	–	(1,650)
Exchange difference arising on translation of overseas subsidiaries	–	(413)	–	–	–	–	(413)
Appropriations to reserve funds by PRC subsidiaries	–	–	834	–	–	(834)	–
Net loss for the year	–	–	–	–	–	(36,693)	(36,693)
At 31 December 2003	**540,934**	**3,000**	**11,993**	**31**	**191,389**	**(666,160)**	**81,187**
Reserves retained by:							
Company and subsidiaries	540,934	6,411	11,993	31	191,389	(652,534)	98,224
Associates	–	(3,411)	–	–	–	(13,626)	(17,037)
At 31 December 2003	**540,934**	**3,000**	**11,993**	**31**	**191,389**	**(666,160)**	**81,187**
Company and subsidiaries	542,584	6,824	11,159	31	191,389	(615,431)	136,556
Associates	–	(3,411)	–	–	–	(13,202)	(16,613)
At 31 December 2002	542,584	3,413	11,159	31	191,389	(628,633)	119,943

32. RESERVES *(Continued)*

(b) Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	542,584	192,083	(554,565)	180,102
Net loss for the year	–	–	(92,681)	(92,681)
At 31 December 2002 and at 1 January 2003	542,584	192,083	(647,246)	87,421
Share issue expenses	(1,650)	–	–	(1,650)
Net loss for the year	–	–	(37,319)	(37,319)
At 31 December 2003	**540,934**	**192,083**	**(684,565)**	**48,452**

* *Pursuant to the relevant laws and regulations for Sino-Foreign joint venture enterprises, a portion of the profits of the Company's subsidiaries in Mainland China has been appropriated to PRC statutory reserves which are restricted as to use. The amount of the appropriation is at the discretion of the respective boards of directors.*

The contributed surplus of the Group represents:

(i) the excess of the nominal value of the subsidiary's shares acquired over the nominal value of the Company's shares issued in exchange at the time of the group re-organisation prior to the listing of the Company's shares in 1992; and

(ii) the credit arising from the reduction of the nominal value of the shares of the Company from HK$0.10 each to HK$0.01 each in a prior year.

The contributed surplus of the Company represents the excess of the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the Company over the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992, less dividends paid out and an amount utilised on a redemption of shares in a prior year, and the credit arising from the reduction in nominal value of HK$0.09 of the Company's shares detailed above.

Notes to Financial Statements

31 DECEMBER 2003

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, wine jugs, which were previously classified as inventories were transferred to property, plant and equipment as a result of the change in use from being held for resale to being used for storage purpose. At date of transfer, the net carrying amount of the wine jugs amounted to HK$34,213,000 (see notes 15 and 22).

34. CONTINGENT LIABILITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Guarantee of banking facilities granted to subsidiaries	**–**	10,000

In the prior year, banking facilities utilised by the subsidiaries amounted to HK$7,538,000 as at 31 December 2002.

At 31 December 2003, Dong Feng has a guarantee of approximately HK$217,000,000 (2002: HK$214,000,000) given to banks in connection with facilities granted to Hing Fong. Subsequent to the balance sheet date, Dong Feng was disposed of by the Group via the disposal of All Paramount, details of which are set out in note 37(e) to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements. These leases are negotiated for terms ranging from one to three years.

At 31 December 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**854**	206	**–**	107
In the second to fifth years, inclusive	**612**	92	**–**	9
	1,466	298	**–**	116

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Capital commitments, contracted for acquisition of plant and machinery	**25,466**	25,466

The Company had no significant commitments at the balance sheet date (2002: Nil).

37. POST BALANCE SHEET EVENTS

(a) On 15 December 2003, the Group entered into a sale and purchase agreement with independent third parties (the "Profit Team Vendors") for the acquisition of the entire issued share capital in Profit Team Consultants Limited ("Profit Team") at a consideration of HK$43,000,000 (the "Profit Team Acquisition"). Profit Team, via five operational subsidiaries, is engaged in the sale, marketing, distribution and retailing of branded products for skin care and cosmetics and in the operation of beauty treatment centres in different areas of Hong Kong. The consideration for the Profit Team Acquisition was arrived at after arm's length negotiation between the Group and the Profit Team Vendors and with reference to a valuation of Profit Team on a fair market valuation basis as at 31 October 2003 issued by an independent professional qualified valuer. The Profit Team Acquisition constituted a discloseable transaction of the Company under the Listing Rules and was completed on 12 January 2004. The consideration was satisfied by the allotment and issue of 720,000,000 ordinary shares of the Company at an issue price of HK$0.012 each and by cash amounting to HK$34,360,000 to the Profit Team Vendors. The details of the Profit Team Acquisition are set out in the Company's circular dated 6 January 2004.

(b) On 30 January 2004, the Group entered into a sale and purchase agreement with an independent third party (the "Excel Vendor") for the acquisition of a 25% equity interest in the share capital of Excel Harvest Corporation Limited ("Excel") at a cash consideration of HK$10,000,000 (the "25% Excel Acquisition"). Excel is principally engaged in the sale and trading of diamonds and in property holding. On 30 January 2004, the 25% Excel Acquisition was completed. Subsequently, the remaining 75% equity interest in the share capital of Excel and the total amount of shareholders' loan due from Excel to its then shareholders (the "75% Excel Acquisition") was also acquired by the Group as detailed in note 37(d) below.

37. POST BALANCE SHEET EVENTS *(Continued)*

(c) On 9 February 2004, the Company offered to grant 405,000,000 share options under the New Scheme to certain directors of the Company and an Invested Entity and business partners of the Group at an exercise price of HK$0.0198 per share for the subscription of new ordinary shares in the Company. Out of the 405,000,000 share options which were accepted by and granted to the grantees, 255,000,000 of the share options were subsequently exercised in full and resulted in the issue and allotment of 255,000,000 new ordinary shares in the Company of HK$0.01 each for a total cash consideration of HK$5,049,000.

(d) Further to the details in note (b) above, pursuant to a conditional sale and purchase agreement entered into between the Group and independent third parties (the "Excel Vendors") dated 18 March 2004, the Group agreed to acquire the remaining 75% equity interest in the share capital of Excel and the total amount of shareholders' loan due from Excel to its then shareholders at a consideration of HK$36 million.

The consideration for the 75% Excel Acquisition was determined with reference to a valuation of Excel on a fair market valuation basis as at 31 December 2003 issued by an independent professional qualified valuer. In the opinion of the Company's directors, the consideration for the 75% Excel Acquisition, which was agreed after arm's length negotiation with the Excel Vendors, was fair and reasonable and was in the interests of the Company and its shareholders as a whole. The consideration was settled by the allotment and issue of an aggregate of 900,000,000 ordinary shares in the Company at an issue price of HK$0.02 per share and by cash of HK$18 million to the Excel Vendors. The acquisition was completed on 21 April 2004.

The 75% Excel Acquisition also constituted a discloseable transaction for the Company under the Listing Rules and the details of which are set out in the Company's circular dated 8 April, 2004.

(e) On 19 March 2004, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Purchaser") to dispose of its entire interest in the issued share capital of All Paramount International Limited ("All Paramount"), an indirect wholly-owned subsidiary of the Company, together with the outstanding indebtedness due by All Paramount to the Group, for an aggregate cash consideration of approximately HK$45,799,000. Pursuant to a supplemental agreement entered into between the Group and the Purchaser on 29 March 2004, the consideration was adjusted to approximately HK$45,299,000 as a result of a tax provision to be made in respect of All Paramount and its subsidiaries as at 31 December 2003. The Disposal was subsequently completed on 2 April 2004. All Paramount is indirectly interested in a 49% equity interests in Dong Feng. The principal activities of Dong Feng are the production and trading of Shao Xing wine in Mainland China. The Disposal also constituted a discloseable transaction for the Company under the Listing Rules and the details of which are set out in the Company's circular despatched to shareholders of the Company dated 15 April 2004.

37. POST BALANCE SHEET EVENTS *(Continued)*

(f) On 25 March 2004, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a 75% equity interest in the share capital of Jafoon Limited ("Jafoon") at a cash consideration of HK$17,000,000 (the "Jafoon Acquisition"). Jafoon is principally engaged in the import and export trading of and the provision of ancillary services in relation to stainless steel. On 2 April 2004, the Jafoon Acquisition was completed.

(g) On 29 March 2004, the Group entered into a sale and purchase agreement with independent third parties for the acquisition of an 80% equity interest in the share capital of Silver Dragons Limited ("Silver Dragons") at a cash consideration of HK$14,000,000 (the "Silver Dragons Acquisition"). Silver Dragons and its subsidiaries are principally engaged in property investing, advertising, general trading and the operation of a beauty academy. On 1 April 2004, the Silver Dragons Acquisition was completed.

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Additionally, as further detailed in note 12 to the financial statements, certain comparative amounts have been restated to reflect the correction of a fundamental error. Accordingly, a prior year adjustment has been made and certain comparative amounts have been restated to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2004.