1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of manufacturing, trading of data storage media products and related equipment, investing and developing properties in the People's Republic of China (the "PRC") and wine producing in the PRC.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively the "HKFRSs") that are applicable to companies with accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRSs as they are relevant to its operations. The applicable HKFRSs are set out 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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
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 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 31, 33, 36, 37 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of the financial statements, minority interests and other disclosures.

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

— HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 31, 33, 36, 37 and 38 have no material effect on the Group's accounting policies.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. In prior years, the other investments were stated at cost less accumulated impairment losses.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 April 2005, the Group charged the cost of share options to the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 April 2005 was expensed retrospectively in the income statement of the respective periods. Since the effects of the share-based payment for the years ended 31 March 2004 and 2005 are immaterial, no prior year adjustments have been suggested.

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

— HKAS 1 — it had affected the presentation of minority interests. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total loss for the year.

— HKAS 17 — the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to be passed to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid leasehold land, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid leasehold land is initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

— HKAS 39 — does not permit to recognise, derecognise or measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

— HKFRS 2 — only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005. Since the effects of the share-based payment for the years ended 31 March 2004 and 2005 are immaterial, no prior year adjustments have been suggested.

The adoption of these new policies does not have a significant impact on the Group's results for the year except a change in the classification of the Group's property, plant and equipment and long-term investments in the consolidated balance sheet. The restated comparatives on the consolidated balance sheet for the year ended 31 March 2005 to reflect the reclassification of non-current assets are as follows:

Non-current assets	**As at 31 March 2005** (originally stated) *HK$'000*	**Adjustments** *HK$'000*	**As at 31 March 2005** *(restated)* *HK$'000*
Land and buildings	7,619	(7,619)	—
Land and buildings held for own use	—	5,526	5,526
Prepaid leasehold land	—	2,093	2,093
Long-tem investments	964	(964)	—
Available-for-sale investments	—	964	964

3. 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.

(a) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments and in accordance with HKFRSs, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The financial statements are presented in Hong Kong dollars, the currency in which the majority of the Company's transactions are dominated.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March with the exception of those excluded from consolidation as disclosed in note 30 to the financial statements.

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

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of unconsolidated subsidiaries are accounted by the Group to the extent of dividend received and receivable during the year. The Group's investments in unconsolidated subsidiaries are stated at cost less provision, if necessary, for any impairment losses.

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

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

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

(e) Joint venture

A joint venture is a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity of the joint venture.

Jointly controlled entity

Joint venture arrangement which involves the establishment of a separate entity in which each venturer has joint control over the economic activity of the entity is referred to as jointly controlled entity.

The Group's interest in jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity. The Group's share of post-acquisition results of jointly controlled entity is included in the consolidated income statement.

(f) Segment reporting

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

(g) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

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

(g) Foreign currency translation *(continued)*

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

(h) Property, plant and equipment

Property, plant and equipment other than plant and machinery under installation and factory buildings under construction are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

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

(h) Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

— Furniture and fixtures	5 years
— Computer equipment	3 years
— Machinery	5-10 years
— Moulds	3-5 years
— Motor vehicles	5 years

Depreciation of leasehold buildings/improvements is calculated to write off their costs on the straight-line basis over the unexpired periods of the leases or their expected useful lives, whichever is shorter.

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

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

(i) Intangible assets

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

(j) Impairment of assets

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

(k) Investments

From 1 April 2004 to 31 March 2005:

The Group classified its investments in securities, other than subsidiaries and, as non-trading securities and trading securities.

Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

From 1 April 2005 onwards:

Financial instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

(k) Investments *(continued)*

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank borrowings and obligations under finance lease are subsequently measured at amortised cost, using the effective interest rate method.

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

(k) Investments *(continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costing method, which approximates actual cost and is arrived as follows:

— Raw material — invoiced prices plus procurement costs.

— Finished goods and work in progress — cost of direct materials, direct labour and related production overheads (based on nominal operating capacity).

They exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and where appropriate, the cost of conversion from their existing state to a finished condition.

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

(m) 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 company in making financial and operating decisions or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals and post-employment benefit plans which are for the benefit of employees of the company or any entity that is a related party of the company.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

(p) 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.

(q) Taxation

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

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

(q) Taxation *(continued)*

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

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

(r) Employee benefits

(i) Employee entitlements

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees.

(ii) Pension obligations

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund Ordinance (MPF). All the assets under the schemes are held separately from the Group under independently administered fund. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are at a rate of 5% or 10% of basic salary.

Contributions are charged to the income statement as incurred and are reduced by contributions forfeited form employees under the ORSO scheme who left the Group prior to vesting fully in their contributions.

The Group's contributions to the MPF Scheme are expensed as incurred.

(iii) Share-based compensation

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

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

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

(s) Provisions

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

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

(t) Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income

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

Sales of land

Sale of land is recognised when the title has passed or when the sale contract signed become unconditional, whichever is earlier.

Profit on pre-sales of property under development for sale

Profit is recognised over the course of the development and profit recognised on properties pre-sold during the accounting period is calculated by reference to the proportion of construction cost incurred up to the accounting date over total estimated construction costs to completion, with due allowance for contingencies.

(u) Leases

Operating lease

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

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

(u) Leases *(continued)*

Finance lease

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(v) Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost comprises the cost of the land together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets while properties under development which are due for completion within one year from the balance sheet date are shown as current assets.

(w) Land acquired for development

Land acquired for development is carried at cost, less any identified impairment loss. Cost includes all development expenditures, interest charges capitalised and other direct costs attributable to such land.

A lease with unexpired period of not less than 50 years is classified as long term lease. A lease with unexpired period of less than 50 years but not less than 10 years is classified as medium term lease.

(x) Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements in conformity with HKFRSs requires management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

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

4. TURNOVER AND REVENUES

The Group engages in the manufacturing and selling of data storage media products, property holding and developing, wine producing, investing and related services. Revenues recognised during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Sales of data storage media products	**5,062**	7,631
Sales of property under development	**8,240**	50,507
Sales of wine	**4,476**	7,724
	17,778	65,862
Other revenues		
Interest income	**77**	357
Sundry income	**535**	144
	612	501
Total revenues	**18,390**	66,363

5. CLAIM SETTLEMENT

As referred to note 27 to the financial statements for the year ended 31 March 2005, the Company made an application to the Supreme Court of New South Wales for an exclusion order to set aside a restraining order made by the Supreme Court of New South Wales respecting the monies in an account held by the Company with a bank in Hong Kong.

The said monies in the bank account restrained were funds from the sale of a piece of farm land owned by a wholly owned subsidiary Sunshine Worldwide Holdings Limited (deregistered in 2003) in Australia. The subsidiary had purchased the piece of land in Australia from a company ("the Connected Party") which was beneficially owned by a connected person of the Company under the Listing Rules. Details of the transactions had been disclosed in the Connected Transaction Announcement from the Company on 19 May 2000.

It was alleged that the Australian authorities were investigating the original sources of funds of the Connected Party in Australia, although there was no allegation by the Australian authorities that the Company was involved in any of the transactions that were under investigation.

The Company, having considered the effect on the Company's financial and administrative resources of a prolonged lawsuit with the Australian authorities, entered into a settlement with the Australian authorities on 2 June 2006 with respect of the monies in the account restrained by agreeing to pay a settlement sum of HK$3,108,000.

The financial statements have reflected this claim settlement as a charge to the income statement for the year.

At 31 March 2006, the monies in the bank account restrained was HK$6,216,000 (2005: HK$6,160,000).

6. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging and (crediting):—

	2006 **HK$'000**	2005 HK$'000
Auditors' remuneration		
— Current year	**245**	255
— Under-provision for prior years	**—**	35
	245	290
Cost of inventories sold	**19,687**	88,320
Depreciation	**2,219**	2,383
Impairment loss on property, plant and equipment	**—**	3,000
Impairment loss on available-for-sale investments	**—**	876
(Gain) on disposals of property, plant and equipment	**(91)**	(92)
Net exchange (gain)/loss	**(359)**	8
Operating lease payments	**648**	755
Allowance for loss on obsolete inventories	**1,361**	25,863
Allowance for doubtful debts	**536**	—
Employee benefits expenses(excluding directors' remuneration)		
— Salaries and allowance	**3,442**	5,349
— Retirement benefit scheme contributions	**226**	374

7. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interest on bank overdraft and bank loan repayable within five years	**349**	270
Interest on other loan without fixed repayment term	**98**	—
	447	270

8. TAXATION

(a) Taxation in the income statement represents:—

	2006 **HK$'000**	2005 HK$'000
PRC income tax		
— Under/(over)provision for prior year	**51**	(39)
— Provision for the year	**128**	—
Total tax expenses/(income)	**179**	(39)

8. TAXATION *(continued)*

(a) *(continued)*

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2005: Nil).

PRC income tax has been provided on the estimated taxable income at the applicable rate.

(b) At 31 March 2006, the Group had no outstanding income tax payable (2005: Nil).

(c) Reconciliation between total tax expenses and loss before taxation of the Group at the applicable tax rates is as follows:

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	**(23,026)**	(56,509)
Tax calculated at the applicable tax rates	**(5,617)**	(10,703)
Tax effect of non-deductible expenses	**1,700**	4,720
Tax effect of non-taxable income	**—**	(36)
Tax under/(over)provided for prior years	**50**	(39)
Losses not recognised as deferred tax assets due to concerns as to their recoverability	**4,046**	6,019
Total tax expenses/(income)	**179**	(39)

(d) No provision for deferred taxation has been accounted for as the Group has net deferred tax assets at the balance sheet date.

The Group has not recognised the tax losses as deferred tax assets due to the unpredictability of future profit streams.

The Company did not have any material unprovided deferred taxation as at 31 March 2006.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss of HK$20,764,000 (2005: HK$50,475,000) attributable to the shareholders of the Company is a loss of HK$7,901,000 (2005: HK$4,462,000) which is dealt with in the Company's own accounts.

10. LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss attributable to shareholders for the year of HK$20,764,000 (2005: HK$50,475,000) and on the weighted average of 330,571,880 (2005: 330,571,880) shares in issue during the year. No diluted loss per share has been presented as the exercise of the Company's outstanding share options would result in a decrease in loss per share for the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2005 and 2006.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Machinery and moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total HK$'000
AT COST									
At 1 April 2005	6,169	747	198	228	12,992	1,747	22,081	2,202	24,283
Exchange adjustments	132	16	5	5	277	33	468	46	514
Additions	—	—	19	—	128	266	413	—	413
Disposals	—	—	(18)	—	—	(387)	(405)	—	(405)
At 31 March 2006	6,301	763	204	233	13,397	1,659	22,557	2,248	24,805
ACCUMULATED DEPRECIATION									
At 1 April 2005	643	576	127	205	7,011	1,198	9,760	109	9,869
Exchange adjustments	15	13	3	4	167	23	225	3	228
Charge for the year	128	90	22	10	1,658	260	2,168	51	2,219
Written back on disposals	—	—	(16)	—	—	(348)	(364)	—	(364)
At 31 March 2006	786	679	136	219	8,836	1,133	11,789	163	11,952
NET BOOK VALUE									
At 31 March 2006	5,515	84	68	14	4,561	526	10,768	2,085	12,853
At 31 March 2005	5,526	171	71	23	5,981	549	12,321	2,093	14,414

	Land and buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Machinery and moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total HK$'000
AT COST									
At 1 April 2004	6,347	747	137	211	12,972	1,752	22,166	2,202	24,368
Exchange adjustments	—	—	—	—	—	(5)	(5)	—	(5)
Additions	—	—	63	17	20	—	100	—	100
Disposals	(178)	—	(2)	—	—	—	(180)	—	(180)
At 31 March 2005	6,169	747	198	228	12,992	1,747	22,081	2,202	24,283
ACCUMULATED DEPRECIATION									
At 1 April 2004	518	346	116	187	2,382	888	4,437	59	4,496
Exchange adjustments	131	230	15	18	1,629	310	2,333	50	2,383
Charge for the year	—	—	—	—	3,000	—	3,000	—	3,000
Written back on disposals	(6)	—	(4)	—	—	—	(10)	—	(10)
At 31 March 2005	643	576	127	205	7,011	1,198	9,760	109	9,869
NET BOOK VALUE									
At 31 March 2005	5,526	171	71	23	5,981	549	12,321	2,093	14,414
At 31 March 2004	5,829	401	21	24	10,590	864	17,729	2,143	19,872

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

(a) All land and buildings of the Group are held for own use. The net book value of land and buildings held by the Group at 31 March 2006 is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Land and buildings held outside Hong Kong under:		
— short term lease	**164**	168
— medium term lease	**7,436**	7,451
	7,600	7,619

(b) At 31 March 2006, land and buildings situated in the PRC with net book value of HK$7,436,000 (2005: HK$7,451,000) were pledged to a bank to secure the bank loan granted to the Group. Details of the said land and buildings and the bank loan are further described in note 12 to the financial statements.

12. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**52,927**	52,927
Amounts due therefrom	**181,435**	193,845
Less: Provision for permanent impairment loss	**(80,235)**	(92,033)
	154,127	154,739

The amounts due are unsecured, interest free and have no fixed repayment terms.

The following is a summary of the principal subsidiaries of the Company that, in the opinion of the directors, were significant to the results of the year or formed a substantial portion of the net assets of the Group as at 31 March 2006:

	Country/place of incorporation/ operation	**Issued and fully paid-up capital or capital contribution**	**Effective equity interest 2006**	**Effective equity interest 2005**	**Principal activity**
Direct subsidiaries:					
Benelux Property Development (Shanghai) Limited *	The PRC	US$5,000,000	100%	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	100%	100%	Trading of data storage media products and related equipment

12. INTERESTS IN SUBSIDIARIES *(continued)*

	Country/place of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2006	2005	Principal activity
South Perfect International Limited	Hong Kong	Ordinary HK$2	100%	100%	Investment in a winery in the PRC
Sunshine Universal Development Limited	The British Virgin Islands/ Hong Kong	US$1	100%	100%	Trading of securities
Happy Universal Investment Limited	The British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
South East Property (Shandong) Limited	The PRC	RMB15,000,000	100%	100%	Property development
Formula Ten Limited *(Note 1)*	Hong Kong	Ordinary HK$1,000	100%	100%	Cessation of business
Indirect subsidiaries:					
Benelux International Electronics Co. Limited *	The PRC	US$10,000,000	100%	100%	In the process of voluntary winding up
Qingdao Fushiwang Grape Wine Co. Limited * ("QFGW") *(Note 2)*	The PRC	US$3,890,000	55%	55%	Wine production and distribution
上海佳遠計算機銷售有限公司*	The PRC	RMB500,000 *(Note 3)*	100%	100%	Trading of data storage media products and computer accessories

* audited by Certified Public Accountants other than BKR Lew & Barr Limited.

None of the subsidiaries had issued any debt securities at 31 March 2006 or at any time during the year.

Note 1. The subsidiary has applied for de-registration.

Note 2. According to an investment agreement entered into between South Perfect International Limited, a wholly owned subsidiary of the Company, and 青島益民葡萄酒廠 ("QYMW"), the party that holds the other 45% interest in QFGW, QYMW is required to transfer all of its assets and liabilities to QFGW as stipulated in the assets transfer agreement. However, up to the date of this report, QYMW has not yet completed the transfer of the title of land and buildings with net book value of HK$7,436,000 (2005:HK$7,451,000) and a bank loan of HK$4,560,000 (2005: HK$4,465,000) which is pledged by the land and buildings at the balance sheet date. On account that in substance QFGW has significant control over all its assets and liabilities including the land and buildings in the name of QYMW, QFGW has included the land and buildings and the bank loan in its own accounts.

Note 3. The capital of the subsidiary is held by two staff members of the subsidiary for and on behalf of the Company. Declarations of trust have been entered into in respect of the holding of interest of the subsidiary in favour of the Company.

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investment, at cost	**2,482**	2,482
Amount due therefrom	**34,427**	3,509
	36,909	5,991

The amount due is unsecured, interest-free and has no fixed repayment terms.

Particulars of the jointly controlled entity are as follows:

Name of entity	Business structure	Country of incorporation	Principal place of operation	Principal activity	Percentage of interest held
上海英之倫房地產發展有限公司	Incorporated entity	Shanghai, The PRC	Shanghai, The PRC	Property development	33%

The interest in the jointly controlled entity is held by Benelux Property Development (Shanghai) Limited ("BPD"), a wholly owned subsidiary of the Group.

The jointly controlled entity acquired a piece of land in Songjiang, Shanghai, the PRC for property development. An independent valuation has been carried out by Shanghai Urban & Rural Assets Appraisal Co., Ltd. on an open market value basis. Based on the valuation report, the BPD's share of the market value of this piece of land is estimated at HK$42,000,000 (2005: HK$42,000,000) as at 31 March 2006.

BPD advanced some funds to the jointly controlled entity for reimbursement of certain costs and expenses that the joint venture partners had previously dedicated in the project. Due to some management changes in the joint venture partners during the year, BPD has not been able to obtain confirmation of the funds paid to the joint venture partners. The management, having considered the overall situation and the adverse effects on the project if the relationship with the joint venture partners is jeopardised, decided to treat the amount of RMB2,900,000 so advanced as bad debt and charged it to the income statement for the year.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**2,730**	2,730
Less: Provision for impairment loss	**(1,766)**	(1,766)
	964	964

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
The properties under development are due for completion within second to fifth year inclusive	**24,133**	15,670

The properties under development situated in the PRC are held under the following lease term:

	2006	2005
	HK$'000	*HK$'000*
Long-term lease	**24,133**	15,670

At the balance sheet date, there was no interest capitalised included in the properties under development (2005: Nil).

Particulars of the properties under development are as follows:

Project name	**Approximate site area** *Sq.m.*	**Approximate gross floor area (GFA)** *Sq.m.*	**Development status**	**Completed GFA** *Sq.m.*	**GFA under construction** *Sq.m.*	**Interest held by Group**
上海浦東 錦華東南苑	32,268	44,956	Construction completed	41,471	3,485	100%
山東鄒平縣 經濟開發區	44,409	N/A	Construction in progress	N/A	N/A	100%

16. DEPOSITS PAID

Deposits paid represented the amount paid for the acquisition of the piece of land at Songjiang area, Shanghai, the PRC, and is grouped under interest in a jointly controlled entity in the consolidated balance sheet this year.

17. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Finished goods	**6,436**	8,866
Raw materials	**1,803**	7,367
Work in progress	**354**	380
Properties held for resale	**—**	4,373
	8,593	20,986

Included above are inventories amounting to HK$3,704,000 (2005: HK$8,176,000) stated at net realisable value.

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$505,000 (2005: HK$1,704,000). The Group maintains a defined credit policy.

For sales of data storage media products and wine, the Group allows an average credit period of 30 days to 90 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Less than 30 days	**117**	830
1 to 3 months	**68**	801
Over 3 months	**320**	73
	505	1,704

19. TRADE AND OTHER PAYABLES

Included in the trade and other payables are trade payables of HK$6,707,000 (2005: HK$5,674,000). The aged analysis of trade payables at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Less than 30 days	**184**	2,810
1 to 3 months	**807**	37
Over 3 months	**5,716**	2,827
	6,707	5,674

20. BANK LOAN, SECURED

The above bank loan is repayable within one year. Interest is charged on the outstanding bank loan at 7.605% per annum (2005: 6% per annum). The bank loan is in the name of another party as described in note 12 to the financial statements.

21. AMOUNT DUE TO A DIRECTOR

Included is a loan of HK$2,810,000 (2005: Nil) advanced by a director. The loan is charged at interest rate of 8% per annum, unsecured and has no fixed repayment terms.

22. PLEDGE OF ASSETS

At 31 March 2006, the Group has pledged land and buildings with net book value of HK$7,436,000 (2005: HK$7,451,000) to secure the general banking facilities and bank loan granted to the Group.

23. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2005 and 31 March 2006	4,000,000,000	400,000
Issued and fully paid:		
At 31 March 2005 and 31 March 2006	330,571,880	33,057

24. RESERVES

	Share Premium *HK$'000*	Contributed Surplus Account *HK$'000*	Exchange Reserve *HK$'000*	Employee Share-based Payment Reserve *HK$'000*	Other Reserve *(Note)* *HK$'000*	Accumulated Losses *HK$'000*	Total *HK$'000*
Group							
At 1 April 2004	10,000	131,166	254	—	—	(39,343)	102,077
Translation difference	—	—	(59)	—	—	—	(59)
Loss for the year	—	—	—	—	—	(50,475)	(50,475)
At 31 March 2005	10,000	131,166	195	—	—	(89,818)	51,543
At 1 April 2005	10,000	131,166	195	—	—	(89,818)	51,543
Translation difference	—	—	1,216	—	—	—	1,216
Loss for the year	—	—	—	—	—	(20,764)	(20,764)
Share-based payment expenses	—	—	—	427	—	—	427
At 31 March 2006	10,000	131,166	1,411	427	—	(110,582)	32,422

24. RESERVES *(continued)*

	Share Premium	Contributed Surplus Account	Exchange Reserve	Employee Share-based Payment Reserve	Other Reserve *(Note)*	Accumulated Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company							
At 1 April 2004	10,000	131,166	—	—	26,789	(35,755)	132,200
Loss for the year	—	—	—	—	—	(4,462)	(4,462)
At 31 March 2005	10,000	131,166	—	—	26,789	(40,217)	127,738
At 1 April 2005	10,000	131,166	—	—	26,789	(40,217)	127,738
Loss for the year	—	—	—	—	—	(7,901)	(7,901)
Share-based payment expenses	—	—	—	427	—	—	427
At 31 March 2006	10,000	131,166	—	427	26,789	(48,118)	120,264

Note: The other reserve of the Company represents the net balance arising from the transfer of the share premium account of the Company and the credit balance from the reduction of capital after elimination with the accumulated losses of the Company brought forward and transfer to the contributed surplus account pursuant to the Capital Reorganisation Scheme implemented during the year ended 31 March 2002.

25. SHARE OPTION SCHEME

(i) The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 7 November 2003. The following is a summary of the Scheme adopted:

(a) Purpose

The purpose of the Scheme is to provide incentives or rewards to certain eligible participants for their contribution or potential contribution to the growth and development of the Group.

(b) Participants

Eligible participants of the Scheme include employees or officers (including executive directors), non-executive directors (including independent non-executive directors), suppliers, customers, consultants or advisors, and securities holders of the Group, as to be determined by the Board at its absolute discretion within the categories.

25. SHARE OPTION SCHEME *(continued)*

(c) Total number of shares available for issue

The maximum numbers of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at 7 November 2003, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Scheme.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted under the Scheme and any other share option schemes of the Company to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. 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 must not exceed 0.1% of the shares of the Company in issue at any time nor with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(e) Option period

The option period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The Scheme itself does not specify any minimum holding period.

(g) Payment on acceptance of the option

HK$10 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 28 days from the date of grant.

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the higher of: (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares for the 5 business days immediately preceding the date of grant; and (iii) the par value of a share.

(i) Remaining life of the scheme

The life of the Scheme is 10 years commencing on the Adoption Date and will expire on 6 November 2013.

25. SHARE OPTION SCHEME *(continued)*

(ii) Following to the adoption of HKFRS 2, Share-based Payments the fair value of the employee services received in exchange for the grant of the share options after 7 November 2002 is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. The estimated fair value of the options is measured based on binominal lattice model. The variables input into the model are as follows.

Fair value of share options and assumptions	2006
Fair value at measurement date	HK$0.0809
Share price	HK$0.1100
Exercise price	HK$0.1060
Expected volatility	104.9%
Option life	12 years
Expected dividends	0%
Risk-free interest rate	4.375%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The aggregate amounts of emoluments of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Fees — independent non-executive directors	**120**	120
Salaries, allowances and benefits in kind	**1,810**	2,173
Retirement benefit scheme contributions	**164**	164
	2,094	2,457

26. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

The number of directors whose emoluments fall within the following bands are as follows:

	Number of directors	
	2006	2005
HK$0 — HK$1,500,000	**6**	3
HK$1,500,001 — HK$2,000,000	**—**	1

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors. Their emoluments have already been disclosed in the analysis presented above.

The details of the remuneration of the remaining three (2005: three) non-director, highest paid employees are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,167**	1,053
Retirement benefit scheme contributions	**56**	49
	1,223	1,102

During the year, no emoluments were paid by the Group to any director or employee as an inducement to join or upon joining the Group.

27. CONTINGENT LIABILITIES

Group and Company	**2006**	2005
	HK$'000	*HK$'000*
Guarantee in respect of indebtedness of a subsidiary *(Note)*	**38,000**	38,000
Guarantee for securities trading of a subsidiary	**1,000**	1,000
	39,000	39,000

Note: This is the purported guarantee which came to the attention of the directors with respect of the alleged indebtedness of a subsidiary as disclosed in note 29 to the financial statements.

The Company denies any liability to the sub-contractor and/or the other party under the purported guarantee but, out of prudence, the directors of the Company have made a decision to treat the purported guarantee as a contingent liability in the Company's financial statements.

28. COMMITMENTS

(a) Capital commitments

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for land acquired for development in the PRC	**9,363**	32,868

(b) Operating lease commitments

At 31 March 2006, the Group had the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group	
	2006	2005
	HK$'000	*HK$'000*
— Not later than one year	**478**	274
— Later than one year and not later than five years	**118**	79
	596	353

The Company did not have any outstanding operating lease commitments at the balance sheet date.

29. LITIGATION

As noted in the previous years' audited financial statements, a claim was brought against a wholly owned subsidiary of the Group, Benelux Manufacturing Limited (In Liquidation) ("BML"), in July 1998 by its sub-contractor ("Sub-contractor"), Shenzhen Benelux Enterprise Co., Limited ("SBEC"), alleging that BML is liable for the payment of approximately HK$38 million, comprising charges in connection with the processing and assembling work rendered by the SBEC and the breach of an alleged loan agreement relating to certain alleged letters of credit. During the course of exchanging exhibits in the proceedings initiated by SBEC, the Company was first aware of SBEC's allegation that a guarantee was purportedly granted by the Company to SBEC in respect of the alleged BML's indebtedness to SBEC (the "Purported Guarantee") in/around January 1999. Notwithstanding that, SBEC has not initiated any proceedings against the Company based on the Purported Guarantee.

Provisional liquidators were appointed on 25 August 1999 by the High Court following a petition by SBEC for the winding up of BML. BML was put into compulsory liquidation subsequently on 28 April 2000.

On 9 March 2005, the Company received a writ of summons served by Shenzhen Intermediate People's Court (the "Court"). The claimant 深圳市中朗科技發展有限公司 ("SZL") claims to have the right over the alleged BML's indebtedness to the SBEC and the Purported Guarantee. SZL alleged that BML is liable to them in the amount of approximately HK$36 million and the Company is also liable to the joint and several liabilities thereof.

29. LITIGATION *(continued)*

During the year, SZL filed claim for an additional amount of RMB35 million as accrued interest on the alleged indebtedness over the years.

A hearing of the case was held in the Court on 22 June 2006. According to the lawyers engaged by the Company in the court hearing, it is not expected that any court judgement will be handed down by the end of 2006.

The directors, after seeking legal advice, are of the opinion that the liquidation of BML and the claim served by SZL will not have a material adverse effect on the Group in the coming year. The investments in BML and the amounts due from BML brought forward had been fully provided for in the previous years.

Save as disclosed above, there are no other material litigation or claims known to the directors pending or threatened against the Company or the Group.

30. SUBSIDIARIES EXCLUDED FROM CONSOLIDATION

As disclosed in note 29 to the financial statements, Benelux Manufacturing Limited (In Liquidation) ("BML") was put into liquidation in 1999. The directors have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impaired control by the Company over BML's assets and operations, the directors have decided to exclude BML and the subsidiaries of BML from the consolidated financial statements from the date of appointment of the provisional liquidators since 2000.

Details of the subsidiaries excluded from consolidation are as follows:

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest held before liquidation	Nature of business
Direct subsidiary:				
Benelux Manufacturing Limited *(Note 1)*	Hong Kong	Ordinary HK$100 Non-voting deferred HK$5,000,000	100%	In Liquidation
Indirect subsidiaries:				
Prime Standard Limited *(Note 2)*	Hong Kong	Ordinary HK$100,000	90%	Ceased operations
P.T. Beneluxindo *(Note 3)*	Indonesia	Ordinary US$10,000,000	100%	Ceased operations

Note 1. Benelux Manufacturing Limited (In Liquidation) ("BML") is excluded from consolidation because severe restrictions which significantly impaired control by the Group over BML's assets and operations.

Note 2. Prime Standard Limited ("PSL") which is a subsidiary of BML, is excluded from consolidation because the Group's control over PSL has been significantly impaired following the appointment of provisional liquidators to BML.

Note 3. P.T. Beneluxindo ("PTB") which is a wholly owned subsidiary of BML, is excluded from consolidation because the Group's control over PTB has been significantly impaired following the appointment of provisional liquidators to BML.

30. SUBSIDIARIES EXCLUDED FROM CONSOLIDATION *(continued)*

The net losses of subsidiaries not consolidated attributable to the Group are:

	2006 *HK$'000*	**Previous years since acquisition** *HK$'000*
Dealt with in the financial statements of the Group	Nil	(46,232)
Not dealt with in the financial statements of the Group	Nil	(244,391)

31. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, price risk, liquidity risk and interest rate risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

(ii) Foreign exchange risk

The Group's main operations are in Hong Kong and the PRC and it has no significant exposure to any specific foreign currency other than Hong Kong dollar and Renimbi.

(iii) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

31. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of funds and credit facilities.

Management has assessed the risks on its financial instruments and has determined that there are no substantial market, foreign exchange, credit and liquidity risks associated with them because of the short maturity and nature of such accounts.

(b) Fair value estimation

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate to their fair values.

32. CONNECTED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group and the Company paid interest of HK$98,000 (2005: Nil) to one of the directors, Mr. Budiman Rahardja, regarding the loan advanced by him as stated in note 21 to the financial statements.

33. POST BALANCE SHEET EVENT

On 26 June 2006, South East Property (Shandong) Limited ("SSP") entered into a Cooperation of Development Agreement (the "Agreement") with an investor (the "Investor") for the development of a part of piece of the land already owned by SSP in Jinan, the PRC. According to the Agreement, a joint venture company equally owned by SSP and the Investor will be set up to develop residential building on the piece of land. The Investor will pay RMB14.1 million as consideration for SSP to inject the part of land into the joint venture company. SSP will still own the remaining part of the land after the above transaction for its own development of properties for commercial purpose.

The details of the payment terms and the conditions of the Agreement can be referred to the announcement of the Company dated 30 June 2006.

34. SEGMENT INFORMATION

The business activities of the Group are categorised into the manufacturing and trading of data storage media products, property development, wine producing and other strategic investment projects. Segment information in respect of these activities is as follows:

RESULTS

	2006		2005	
	Turnover	**Contribution to operating profit/(loss)**	Turnover	Contribution to operating profit/(loss)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
By principal activities:				
— Sales of data storage media products and related equipment	**5,062**	**(9,115)**	7,631	(37,566)
— Sales of property under development	**8,240**	**(9,312)**	50,507	(4,766)
— Sales of wine	**4,476**	**(4,764)**	7,724	(14,408)
	17,778	**(23,191)**	65,862	(56,740)
Other revenues		**612**		501
		(22,579)		(56,239)
By geographical markets:				
— Hong Kong	**16**	**(2,345)**	219	(4,849)
— The United States of America and Canada	**1,128**	**(1,963)**	2,006	(1,499)
— The People's Republic of China	**16,283**	**(15,164)**	63,003	(50,011)
— Australia and New Zealand	**—**	**(3,108)**	—	93
— Others	**351**	**(611)**	634	(474)
	17,778	**(23,191)**	65,862	(56,740)
Other revenues		**612**		501
		(22,579)		(56,239)

34. SEGMENT INFORMATION *(continued)*

FINANCIAL POSITIONS

	2006 **HK$'000**	2005 HK$'000
Assets		
Segment assets:		
— Sales of data storage media products and related equipment	**2,772**	12,569
— Sales of property under development	**74,016**	71,375
— Sales of wine	**19,877**	25,537
— Unallocated corporate assets	**7,442**	8,467
	104,107	117,948
Liabilities		
Segment liabilities:		
— Sales of data storage media products and related equipment	**2,900**	2,910
— Sales of property under development	**10,284**	8,338
— Sales of wine	**18,595**	17,187
— Unallocated corporate liabilities	**5,658**	1,334
	37,437	29,769
Net assets	**66,670**	88,179

The financial statements do not include any disclosures of the carrying amount of segment assets and liabilities analysed by geographical area.

35. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 25 July 2006.