



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

15. INTEREST IN AN ASSOCIATED COMPANY *(continued)*

Details of the associated company are as follows:

| Name | Place of incorporation | Principal activity and place of operation | Description of shares held | Percentage of equity interest held indirectly | |
|------------------------------|----------------------------|---|--------------------------------------|---|------|
| | | | | 2005 | 2004 |
| Goldpoint Investment Limited | The British Virgin Islands | Investment holding in Hong Kong | 51,283 ordinary shares of US\$1 each | 50% | 50% |

The associated company is not audited by BDO McCabe Lo & Company.

The amount due from the associated company was unsecured, interest free and had no fixed terms of repayment. The directors are of the opinion that the balance due from the associated company is irrecoverable and thus the balance due was fully written off against the provision.

16. INVESTMENT IN CONVERTIBLE NOTE

| | Group | |
|------------------------------|-----------------------------|-----------------------------|
| | 2005 HK\$ | 2004 HK\$ |
| Unlisted investment, at cost | 78,000,000 | 78,000,000 |
| Less: Provision | (78,000,000) | (78,000,000) |
| | <u> </u> | <u> </u> |
| | — | — |

The investment was a convertible note (“Note”) of Opal Technologies Inc. (“Opal”) for a principal amount of US\$10 million. Opal is engaged in the manufacturing, trading and distribution of organic fertilisers and its shares were traded on the NASDAQ Bulletin Board in the United States of America. The Note was unsecured, interest bearing at 4% per annum payable quarterly in arrears.

The Note was convertible, in whole or in part, into fully paid shares of common stock of Opal (par value US\$0.001) at US\$0.20 per share (subject to adjustment) after 10 October 2000. The Group did not exercise the right to convert the Note into shares of Opal. The Note matured on 9 April 2003.

Trading of shares of Opal on NASDAQ Bulletin Board has been suspended since 23 May 2001 due to its failure to file audited financial statements for the year ended 31 December 2000 and subsequent financial years with the Securities and Exchange Commission of the United States of America. The directors were of the opinion that the recoverability of the Note was doubtful and a full provision on the Note was made in 2001.

Legal action was taken by the Group against Opal in 2002. The court adjudged that Opal had to pay the Group, inter alia, a sum of US\$10,300,000 representing the principal and interest accrued on the Note up to 7 January 2002 (the “Judgement Debts”).



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

16. INVESTMENT IN CONVERTIBLE NOTE *(continued)*

On 19 January 2004, the Group entered into a deed of settlement (the ‘‘Settlement Deed’’) with Opal. Under the Settlement Deed, the Group agreed to accept Opal’s payment of US\$2,500,000 in full settlement of the Judgement Debts. The first instalment of the settlement of US\$1,420,000 (HK\$11,051,860) was received on 19 January 2004 in accordance with the terms of the Settlement Deed.

The second instalment of US\$1,080,000 was scheduled to be received on 19 October 2004. However, Opal has requested a further extension and thus, the second instalment of the settlement is still outstanding. As the financial position of Opal was unknown, it would be difficult and costly to take legal action to enforce the payment immediately, and the Company agreed to grant the extension requested by Opal.

17. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%)

The movements on the net deferred tax assets during the year are as follows:

| | Group HK\$ | Company HK\$ |
|--|-------------------|-----------------|
| At 1 April 2003 | 22,886,437 | 253,014 |
| Deferred taxation charged to income statement | (2,550,459) | (253,014) |
| Taxation credited to other properties revaluation reserve (note 22(a)) | 424,386 | – |
| At 31 March 2004 | 20,760,364 | – |
| Deferred taxation charged to income statement (note 8) | (4,060,611) | – |
| At 31 March 2005 | <u>16,699,753</u> | <u>–</u> |

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 March 2005, the Group and the Company had unutilised tax losses of HK\$8,203,157 (2004: HK\$7,613,587) and HK\$2,647,415 (2004: HK\$2,065,790) respectively. The tax losses may be carried forward indefinitely.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

| Deferred tax assets | Accelerated accounting depreciation | | Tax losses | | Total | |
|---|---|--------------|-------------------|-------------------|-------------------|-------------------|
| | 2005 HK\$ | 2004 HK\$ | 2005 HK\$ | 2004 HK\$ | 2005 HK\$ | 2004 HK\$ |
| At the beginning of the year | 7,811 | 95,662 | 21,220,316 | 23,326,668 | 21,228,127 | 23,422,330 |
| (Charged)/credited to income statement | 251 | (87,851) | (4,292,103) | (2,106,352) | (4,291,852) | (2,194,203) |
| At the end of the year | <u>8,062</u> | <u>7,811</u> | <u>16,928,213</u> | <u>21,220,316</u> | <u>16,936,275</u> | <u>21,228,127</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

17. DEFERRED TAXATION *(continued)*

| Deferred tax liabilities | Accelerated taxation depreciation | |
|--|--------------------------------------|------------------|
| | 2005 HK\$ | 2004 HK\$ |
| At the beginning of the year | (467,763) | (535,893) |
| Credited/(charged) to income statement | 231,241 | (356,256) |
| Credited to equity | – | 424,386 |
| At the end of the year | <u>(236,522)</u> | <u>(467,763)</u> |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the Group's and the Company's balance sheets:

| | Group | | Company | |
|-------------------------------|-------------------|-------------------|--------------|--------------|
| | 2005 HK\$ | 2004 HK\$ | 2005 HK\$ | 2004 HK\$ |
| Deferred tax assets | 16,936,275 | 21,228,127 | – | – |
| Deferred tax liabilities | <u>(236,522)</u> | <u>(467,763)</u> | – | – |
| Amount shown in balance sheet | <u>16,699,753</u> | <u>20,760,364</u> | <u>–</u> | <u>–</u> |

18. INVENTORIES

| | Group | |
|--------------------|------------------|------------------|
| | 2005 HK\$ | 2004 HK\$ |
| Food and beverages | <u>1,729,001</u> | <u>1,046,015</u> |

At 31 March 2005, the carrying amount of inventories that were carried at net realisable value was \$114,861 (2004: HK\$140,611).



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|--|------------------|------------------|---------------|---------------|
| | 2005 HK\$ | 2004 HK\$ | 2005 HK\$ | 2004 HK\$ |
| Trade receivables | 833,264 | 365,621 | – | – |
| Deposits, prepayments and other receivables | 5,638,281 | 4,617,022 | 31,209 | 31,209 |
| Deferred expenses | – | 922,749 | – | – |
| | <u>6,471,545</u> | <u>5,905,392</u> | <u>31,209</u> | <u>31,209</u> |

The Group's general credit terms granted to its customers range from 30 to 60 days.

At 31 March 2005, the ageing analysis of the trade receivables was as follows:

| | Group | |
|----------------|----------------|----------------|
| | 2005 HK\$ | 2004 HK\$ |
| Within 30 days | 813,313 | 345,713 |
| 31 to 60 days | 19,951 | 19,908 |
| | <u>833,264</u> | <u>365,621</u> |

20. ACCOUNTS PAYABLE AND ACCRUED CHARGES

| | Group | | Company | |
|-----------------------------|-------------------|-------------------|----------------|----------------|
| | 2005 HK\$ | 2004 HK\$ | 2005 HK\$ | 2004 HK\$ |
| Trade payables | 4,771,718 | 3,225,360 | – | – |
| Other payables and accruals | 7,984,104 | 4,426,647 | 312,769 | 183,905 |
| Deposits received | 1,675,500 | 5,467,018 | – | – |
| Deferred revenue | – | 2,480,995 | – | – |
| | <u>14,431,322</u> | <u>15,600,020</u> | <u>312,769</u> | <u>183,905</u> |

At 31 March 2005, the ageing analysis of the trade payables was as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2005 HK\$ | 2004 HK\$ |
| Within 30 days | 3,890,952 | 2,645,206 |
| 31 to 60 days | 677,907 | 429,123 |
| 61 to 90 days | 91,944 | – |
| Over 90 days | 110,915 | 151,031 |
| | <u>4,771,718</u> | <u>3,225,360</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

21. SHARE CAPITAL

| | 2005 HK\$ | 2004 HK\$ |
|--|--------------------|--------------------|
| Authorised | | |
| 2,000,000,000 ordinary shares of \$0.05 each | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid | | |
| 1,095,884,000 ordinary share of \$0.05 each | <u>54,794,200</u> | <u>54,794,200</u> |

On 30 August 2002, the Company adopted a share option scheme (the “Scheme”) pursuant to which the Company may grant options without initial payment to (i) any director, employee, or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (“Affiliate”); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or any Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the directors from time to time to subscribe for shares of the Company. The subscription price of the shares under the Scheme will be the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant; and (iii) the average closing price per share as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant and such price may be adjusted from time to time pursuant to the Scheme. No share options under the Scheme were granted since adoption.

22. RESERVES

(a) Group

| | Share premium HK\$ | Contribution surplus HK\$ | Investment properties revaluation reserve HK\$ | Other properties revaluation reserve HK\$ | Accumulated losses HK\$ | Total HK\$ |
|------------------------|--------------------------|---------------------------------|--|---|-------------------------------|--------------------|
| At 1 April 2003 | 293,365,856 | 28,784,000 | 28,530,053 | 58,194,071 | (293,048,138) | 115,825,842 |
| Surplus on revaluation | – | – | 10,000,000 | 15,450,500 | – | 25,450,500 |
| Deferred taxation | – | – | – | 424,386 | – | 424,386 |
| Profit for the year | – | – | – | – | 11,945,917 | 11,945,917 |
| | <u>293,365,856</u> | <u>28,784,000</u> | <u>38,530,053</u> | <u>74,068,957</u> | <u>(281,102,221)</u> | <u>153,646,645</u> |
| At 1 April 2004 | 293,365,856 | 28,784,000 | 38,530,053 | 74,068,957 | (281,102,221) | 153,646,645 |
| Surplus on revaluation | – | – | 9,000,000 | 11,840,399 | – | 20,840,399 |
| Profit for the year | – | – | – | – | 15,567,746 | 15,567,746 |
| | <u>293,365,856</u> | <u>28,784,000</u> | <u>47,530,053</u> | <u>85,909,356</u> | <u>(265,534,475)</u> | <u>190,054,790</u> |
| At 31 March 2005 | <u>293,365,856</u> | <u>28,784,000</u> | <u>47,530,053</u> | <u>85,909,356</u> | <u>(265,534,475)</u> | <u>190,054,790</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

22. RESERVES *(continued)*

(b) Company

| | Share premium <i>HK\$</i> | Contribution surplus <i>HK\$</i> | Accumulated losses <i>HK\$</i> | Total <i>HK\$</i> |
|---------------------|---------------------------------|--|--------------------------------------|----------------------|
| At 1 April 2003 | 293,365,856 | 28,784,000 | (245,785,569) | 76,364,287 |
| Profit for the year | – | – | 9,781,846 | 9,781,846 |
| At 1 April 2004 | 293,365,856 | 28,784,000 | (236,003,723) | 86,146,133 |
| Loss for the year | – | – | (11,617,965) | (11,617,965) |
| At 31 March 2005 | <u>293,365,856</u> | <u>28,784,000</u> | <u>(247,621,688)</u> | <u>74,528,168</u> |

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date when they were acquired by the Company and 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 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders provided that the Company is able to meet its obligations after distribution and the net realisable value of the Company's assets would not be less than the aggregate of its liabilities, issued share capital and share premium accounts.

23. PROVISION FOR LONG SERVICE PAYMENTS

The Group has recorded provisions for long service payment obligations for employees who had completed the required number of years of service under the Employment Ordinance. The provisions are calculated based on the Group's best estimates using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

| | 2005 <i>HK\$</i> | Group 2004 <i>HK\$</i> |
|-------------------------------------|---------------------|------------------------------|
| Present value of funded obligations | <u>2,815,402</u> | <u>3,050,289</u> |

The amounts recognised in the consolidated income statement are as follows:

| | 2005 <i>HK\$</i> | Group 2004 <i>HK\$</i> |
|---|---------------------|------------------------------|
| Current service cost | 433,163 | 834,141 |
| Interest cost | 140,631 | 150,205 |
| Net actuarial losses/(gains) recognised during the year | 72,441 | (117,274) |
| | <u>646,235</u> | <u>867,072</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

23. PROVISION FOR LONG SERVICE PAYMENTS *(continued)*

Movements in the provision for long service payments are as follows:

| | 2005 | Group |
|--|------------------|------------------|
| | <i>HK\$</i> | 2004 |
| | | <i>HK\$</i> |
| At beginning of year | 3,050,289 | 3,390,131 |
| Total expense recognised in the income statement | 646,235 | 867,072 |
| Payments made during the year: | | |
| – MPF contributions | (507,972) | (582,298) |
| – Long service payments | (373,150) | (624,616) |
| At end of year | <u>2,815,402</u> | <u>3,050,289</u> |

The principal actuarial assumptions used were as follows:

| | 2005 | Group |
|--|-------------|--------------|
| | | 2004 |
| Discount rate | 4.3% | 4.3% |
| Expected rate of future salary increases | <u>1.2%</u> | <u>1.2%</u> |

24. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations:

| | 2005 | 2004 |
|---|-------------------|-------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Operating profit | 19,628,357 | 14,520,047 |
| Interest income | (23,438) | (15,509) |
| Surplus on revaluation of other properties | (59,601) | (21,950) |
| Legal dispute settlement | – | (11,051,860) |
| Amortisation of goodwill | 1,003,778 | 83,648 |
| Depreciation | 5,123,466 | 1,957,915 |
| Interest expenses | 28,479 | – |
| Operating profit before working capital changes | <u>25,701,041</u> | <u>5,472,291</u> |
| Increase in inventories | (682,986) | (91,934) |
| Increase in accounts receivable, deposits and prepayments | (566,153) | (1,333,747) |
| (Decrease)/increase in accounts payable and accrued charges | (1,168,698) | 6,308,473 |
| Decrease in provision for long service payments | (234,887) | (339,842) |
| Net cash inflow generated from operations | <u>23,048,317</u> | <u>10,015,241</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2005

2005

24. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT *(continued)*

(b) Acquisition of wedding services business

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|---------------------------------|----------------------------|----------------------------|
| Net assets acquired | | |
| Fixed assets | – | 5,060,982 |
| Deposits and other receivables | – | 2,803,050 |
| Cash | – | 39,939 |
| Deposits received in advance | – | (3,533,982) |
| Other payables and accruals | – | (445,555) |
| | <hr/> | <hr/> |
| | – | 3,924,434 |
| Goodwill | – | 20,075,566 |
| | <hr/> | <hr/> |
| Consideration satisfied by cash | – | 24,000,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

Analysis of the net cash outflow on acquisition of the wedding services business:

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|--------------------|----------------------------|----------------------------|
| Cash consideration | – | 24,000,000 |
| Cash acquired | – | (39,939) |
| | <hr/> | <hr/> |
| | – | 23,960,061 |
| | <hr/> <hr/> | <hr/> <hr/> |

25. COMMITMENTS

(a) Operating lease commitments

At 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, shops and warehouse premises as follows:

| | 2005 <i>HK\$</i> | Group 2004 <i>HK\$</i> |
|--------------------------|----------------------------|--|
| Within one year | 8,549,008 | 9,358,000 |
| Within two to five years | 2,350,926 | 8,120,000 |
| | <hr/> | <hr/> |
| | 10,899,934 | 17,478,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Company did not have any commitments under operating lease at 31 March 2005 (2004: Nil).