



# Chairman's Statement

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## **Financial review**

### *Consolidated results*

The turnover of the Group for the year ended 31 March 2006 was HK\$266.8 million, representing an increase of 85.7% compared to last year. The increase was mainly contributed by the watch retail business and hotel operations acquired in July 2005 and October 2005 respectively, which achieved a total turnover of about HK\$124.1 million. The profit of the Group for the year amounted to HK\$42.3 million as compared to a profit of HK\$23.2 million last year. This increase in profit was mainly due to the HK\$29.7 million excess of fair value of net assets acquired over cost of acquisition of subsidiaries for the hotel business and the contribution of HK\$8 million from the hotel business which was partly offset by a decrease in profit of HK\$9 million from the wedding services business, loss of HK\$6.9 million in entertainment operations and loss of HK\$3 million in Japanese restaurant operations.

### *Hotel operations*

On 28 October 2005, the Group expanded its operations to the hotel business by the acquisition of Waldorf Holding Limited, which owns and operates a three star hotel known as Waldo Hotel in Macau. The business of hotel operations has contributed significant income to the Group.

From the date of acquisition (28 October 2005) to 31 March 2006, the total revenue from hotel operations of approximately HK\$55.6 million was derived from two sources, namely (i) food and beverage revenue of about HK\$19.6 million and (ii) hotel rooms and rental income of about HK\$36 million. The hotel business recorded an operating profit of approximately HK\$8 million.

### *Wedding services*

The Group provides wedding services under the trade names of “Cite Du Louvre” and “Wonderful Arts Wedding Services” in Hong Kong. Turnover and operating profit of this business decreased mainly due to keen competition from local and Taiwan wedding services companies.

### *Investment properties*

The investment properties have contributed steady rental income to the Group.

### *Restaurant operations*

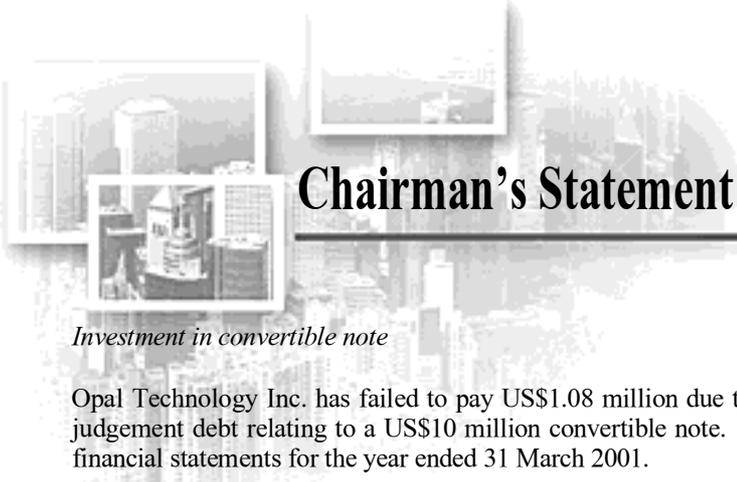
The business of the Star House Branch is stable and profitable. During the year, a 51% owned subsidiary of the Company commenced operating a Japanese restaurant in Tsimshatsui. The Japanese restaurant recorded a loss of approximately HK\$3 million.

### *Watch retail operations*

The newly acquired watch retail business is profitable and contributed operating profit of approximately HK\$1.8 million to the Group.

### *Entertainment operations*

The newly acquired entertainment business incurred a loss of approximately HK\$6.9 million.



## Chairman's Statement *(continued)*

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### *Investment in convertible note*

Opal Technology Inc. has failed to pay US\$1.08 million due to the Group under a deed of settlement in respect of a judgement debt relating to a US\$10 million convertible note. The Company made full provision for such note in its financial statements for the year ended 31 March 2001.

### *Prospects*

The current principal activities of the Group are hotel operations, provision of wedding services, property investment, restaurant operations, retail of watches and entertainment business. The Group's financial position is strong with a net asset value of HK\$606 million. The management will look for suitable investment opportunities to expand the business of the Group.

### *Liquidity and financial resources*

The Group finances its operations with internally generated resources. The Group maintains good business relationship with banks and has banking facilities available for future business development.

As at 31 March 2006, the Group had secured bank borrowings of HK\$140 million which were repayable within 5 years. The gearing ratio of the Group, based on total borrowings to shareholders' equity, was 23.5% (2005: Nil) as at 31 March 2006.

The Group was able to generate sufficient cash flow from its operations to fulfill its repayment obligations and meet the cash requirements for its day-to-day operations for the year. No financial instrument was used for hedging. The Group was not exposed to any exchange rate risk or any related hedges.

### *Details of charges on Group assets*

At 31 March 2006, the carrying value of investment properties, leasehold land and buildings, interests in leasehold land for own use under operating leases and land premium charged as security for the Group's bank facilities of HK\$252 million (2005: HK\$52 million) amounted to HK\$622.7 million (2005: HK\$154 million).

On behalf of the Board  
**Yeung Chi Hang**  
*Chairman*

Hong Kong, 10 July 2006