



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

19. INTERESTS IN LEASEHOLD LAND FOR OWN USE UNDER OPERATING LEASES

Group

| | |
|---|-------------------|
| | <i>HK\$</i> |
| Cost: | |
| Acquired via acquisition and as at 31 March 2006 | 75,368,572 |
| Accumulated amortisation | |
| Amortisation for the year and as at 31 March 2006 | 719,165 |
| Carrying value | |
| At 31 March 2006 | <u>74,649,407</u> |

The above land is held under medium-term lease and is located in Macau.

Analysis of the carrying value of interest in leasehold land under operating lease is as follows:

| | |
|---------------------|----------------------------|
| | 2006 <i>HK\$</i> |
| Non-current portion | 72,884,182 |
| Current portion | 1,765,225 |
| | <u>74,649,407</u> |

At 31 March 2006, the leasehold land and buildings, the hotel property, certain investment properties, interests in leasehold land for own use under operating leases and land premium were pledged as security for the Group's banking facilities.

20. LAND PREMIUM

Group

| | |
|---|--------------------|
| | <i>HK\$</i> |
| Cost: | |
| Acquired via acquisition and as at 31 March 2006 | 185,796,476 |
| Accumulated amortisation | |
| Amortisation for the year and as at 31 March 2006 | 1,801,856 |
| Carrying value | |
| At 31 March 2006 | <u>183,994,620</u> |

At 31 March 2006, the leasehold land and buildings, the hotel property, certain investment properties, interests in leasehold land for own use under operating leases and land premium were pledged as security for the Group's banking facilities.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

21. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|--------------------|--------------------|
| | 2006 HK\$ | 2005 HK\$ |
| Unlisted shares, at cost | 53,284,060 | 53,284,020 |
| Less: Impairment loss | (1,200,000) | (1,200,000) |
| | <u>52,084,060</u> | <u>52,084,020</u> |
| Amounts due from subsidiaries | 692,104,326 | 370,028,591 |
| Less: Impairment for bad and doubtful debts | (285,346,456) | (285,346,456) |
| | <u>406,757,870</u> | <u>84,682,135</u> |
| Amounts due to subsidiaries | <u>(7,295,518)</u> | <u>(7,295,488)</u> |

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

The following is a list of the principal subsidiaries at 31 March 2006:

| Name | Place of incorporation | Principal activities and place of operation | Particulars of issued share capital | Percentage of equity interest held | |
|---|---------------------------|--|---|--|------|
| | | | | 2006 | 2005 |
| <i>Held directly</i> | | | | | |
| Golden Island Bird's Nest Chiu Chau Restaurant (Star House) Limited | Hong Kong | Investment holding in Hong Kong | 100 ordinary shares of HK\$100 each and 240,000 deferred shares of HK\$100 each | 100 | 100 |
| Golden Island Catering Group Company Limited | Hong Kong | Restaurant operations and provision of wedding services in Hong Kong | 2 ordinary shares of HK\$1 each | 100 | 100 |
| Golden Island (Management) Limited | Hong Kong | Provision of management services to group companies in Hong Kong | 10,000 ordinary shares of HK\$1 each | 100 | 100 |

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

| Name | Place of incorporation | Principal activities and place of operation | Particulars of issued share capital | Percentage of equity interest held | |
|---|----------------------------|---|--|------------------------------------|------|
| | | | | 2006 | 2005 |
| <i>Held directly (continued)</i> | | | | | |
| Worldaim Enterprises Limited | The British Virgin Islands | Investment holding in Hong Kong | 1 ordinary share of US\$1 | 100 | – |
| Well Prime International Limited | The British Virgin Islands | Investment holding in Hong Kong | 1 ordinary share of US\$1 | 100 | – |
| Winkler Profits Limited | The British Virgin Islands | Investment holding in Hong Kong | 1 ordinary share of US\$1 | 100 | – |
| Widelead Group Limited | The British Virgin Islands | Investment holding in Hong Kong | 1 ordinary share of US\$1 | 100 | – |
| Win Big Profits Limited | The British Virgin Islands | Investment holding in Hong Kong | 1 ordinary share of US\$1 | 100 | – |
| Welly Champ International Limited | The British Virgin Islands | Investment holding in Hong Kong | 100 ordinary share of US\$1 each | 60 | – |
| <i>Held indirectly</i> | | | | | |
| Golden Island Bird's Nest Chiu Chau Restaurant (Causeway Bay) Limited | Hong Kong | Property holding in Hong Kong | 12,000 ordinary shares of HK\$100 each | 100 | 100 |
| Reli-a-bo Entertainment Limited | Hong Kong | Talent management | 1,000 ordinary shares of HK\$1 each | 60 | – |
| Wellprecise Limited | Hong Kong | Restaurant operation in Hong Kong | 100 ordinary shares of HK\$1 each | 80 | – |
| Witty Ventures Limited | Hong Kong | Retail of watches | 100 ordinary shares of HK\$1 each | 51 | – |

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

| Name | Place of incorporation | Principal activities and place of operation | Particulars of issued share capital | Percentage of equity interest held | |
|------------------------------------|------------------------|---|-------------------------------------|------------------------------------|------|
| | | | | 2006 | 2005 |
| <i>Held indirectly (continued)</i> | | | | | |
| Waldorf Holding Limited | Macau | Investment holding in Macau | quota capital of MOP100,000 | 95 | — |
| Waldo Hotel Limited | Macau | Hotel operations in Macau | quota capital of MOP1,000,000 | 95 | — |
| Waldorf Realty Company Limited | Macau | Hotel property in Macau | Quota capital of MOP100,000 | 95 | — |
| World Honour Investments Limited | Hong Kong | Property holding in Hong Kong | 100 ordinary share of HK\$1 each | 95 | — |

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

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

22. INTEREST IN AN ASSOCIATE

The Group holds 50% interest in a dormant associate, Goldpoint Investment Limited, incorporated in the British Virgin Islands. As financial results of the associate is immaterial to the Group, accordingly, no disclosure is considered necessary.

23. INVESTMENT IN CONVERTIBLE NOTE/HELD-TO-MATURITY INVESTMENTS

| | Group | |
|------------------------------|--------------|--------------|
| | 2006 HK\$ | 2005 HK\$ |
| Unlisted investment, at cost | 78,000,000 | 78,000,000 |
| Less: Impairment loss | (78,000,000) | (78,000,000) |
| | <u>—</u> | <u>—</u> |

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

23. INVESTMENT IN CONVERTIBLE NOTE / HELD-TO-MATURITY INVESTMENTS *(continued)*

The investment was a convertible note (the “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”).

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 as 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. 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 as requested by Opal. There is no fixed timetable for the repayment of the second instalment of the settlement which is still outstanding.

24. DEFERRED TAXATION

Group

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

| | 2006 HK\$ | Group 2005 HK\$ (Restated) |
|---|-------------------|-------------------------------------|
| At beginning of year (as previously reported) | (16,699,753) | (20,760,364) |
| Prior year adjustment arising from adoption of new HKAS 40 and INT 21 (note 3) | 8,317,759 | 6,742,759 |
| Prior year adjustment arising on deferred tax on revaluation reserve for leasehold land and buildings (note 14) | 14,428,463 | 12,595,496 |
| At beginning of year (restated) | 6,046,469 | (1,422,109) |
| Tax arising from acquisition of subsidiaries | 29,215,775 | – |
| Tax charged to income statement (note 10) | 2,946,669 | 5,386,078 |
| Tax charge to equity (note 33) | 385,114 | 2,082,500 |
| At end of year | <u>38,594,027</u> | <u>6,046,469</u> |

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

24. DEFERRED TAXATION *(continued)*

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 2006, the Group and the Company had estimated unutilised tax losses of HK\$129,300,000 (2005: HK\$104,000,000) and HK\$4,100,000 (2005: HK\$2,650,000) respectively. A deferred tax has been recognised in respect of HK\$80,900,000 (2005: HK\$96,700,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses due to unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK\$28,000,000 that will expire within 3 years from the balance sheet date. The remaining tax losses may be carried forward indefinitely.

The unrecognised deferred tax mainly represented the deferred tax asset in respect of the unutilised tax losses.

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

| Deferred tax assets | Accelerated accounting depreciation | | Tax losses | | Total | |
|---|---|----------------------------|-------------------------|----------------------------|-------------------|----------------------------|
| | 2006 HK\$ | 2005 HK\$ (Restated) | 2006 HK\$ | 2005 HK\$ (Restated) | 2006 HK\$ | 2005 HK\$ (Restated) |
| At the beginning of the year | 37,244 | 125,906 | 16,928,213 | 21,220,316 | 16,965,457 | 21,346,222 |
| (Charged)/credited to income statement | 130,065 | (88,662) | (2,776,213) | (4,292,103) | (2,646,148) | (4,380,765) |
| At the end of the year | <u>167,309</u> | <u>37,244</u> | <u>14,152,000</u> | <u>16,928,213</u> | <u>14,319,309</u> | <u>16,965,457</u> |
| Deferred tax liabilities | Property revaluation | | Depreciation allowances | | Total | |
| | 2006 HK\$ | 2005 HK\$ (Restated) | 2006 HK\$ | 2005 HK\$ (Restated) | 2006 HK\$ | 2005 HK\$ (Restated) |
| At the beginning of the year | 14,428,464 | 12,595,499 | 8,583,462 | 7,328,614 | 23,011,926 | 19,924,113 |
| Acquisition of subsidiaries | – | – | 29,215,775 | – | 29,215,775 | – |
| Charged to income statement | (284,649) | (249,535) | 585,170 | 1,254,848 | 300,521 | 1,005,313 |
| Charged to equity | 385,114 | 2,082,500 | – | – | 385,114 | 2,082,500 |
| At the end of the year | <u>14,528,929</u> | <u>14,428,464</u> | <u>38,384,407</u> | <u>8,583,462</u> | <u>52,913,336</u> | <u>23,011,926</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:

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

24. DEFERRED TAXATION *(continued)*

| | Group | | Company | |
|--------------------------|-------------------|------------------|--------------|--------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| Deferred tax assets | (3,189,521) | (4,438,687) | – | – |
| Deferred tax liabilities | 41,783,548 | 10,485,156 | – | – |
| | <u>38,594,027</u> | <u>6,046,469</u> | <u>–</u> | <u>–</u> |

25. INVENTORIES

| | Group | |
|-------------------|-------------------|------------------|
| | 2006 HK\$ | 2005 HK\$ |
| Food and beverage | 3,884,492 | 1,729,001 |
| Watches | 19,060,070 | – |
| | <u>22,944,562</u> | <u>1,729,001</u> |

26. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|-------------------|------------------|---------------|---------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| Amount due from related company | 1,739,197 | – | – | – |
| Trade receivables | 11,179,321 | 833,264 | – | – |
| Deposits, prepayments and other receivables | 6,287,314 | 5,638,281 | 23,928 | 31,209 |
| | <u>19,205,832</u> | <u>6,471,545</u> | <u>23,928</u> | <u>31,209</u> |

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

The amount due from related company is unsecured, interest free and has a credit term of 30 days. The Company and the related company have common directors.

The directors consider that the carrying amount of trade and other receivables approximate their fair values.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

26. TRADE AND OTHER RECEIVABLES *(continued)*

At the balance sheet date, the ageing analysis of the trade receivables was as follows:

| | Group | |
|----------------|-------------------|----------------|
| | 2006 | 2005 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Within 30 days | 10,317,015 | 813,313 |
| 31 to 60 days | 337,729 | 19,951 |
| Over 60 days | 524,577 | – |
| | <u>11,179,321</u> | <u>833,264</u> |

27. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------|--------------------|-------------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Cash at banks and in hand | 30,475,537 | 19,467,460 | 176,596 | 133,261 |
| Short-term bank deposits | 84,305,960 | 5,002,836 | – | – |
| | <u>114,781,497</u> | <u>24,470,296</u> | <u>176,596</u> | <u>133,261</u> |

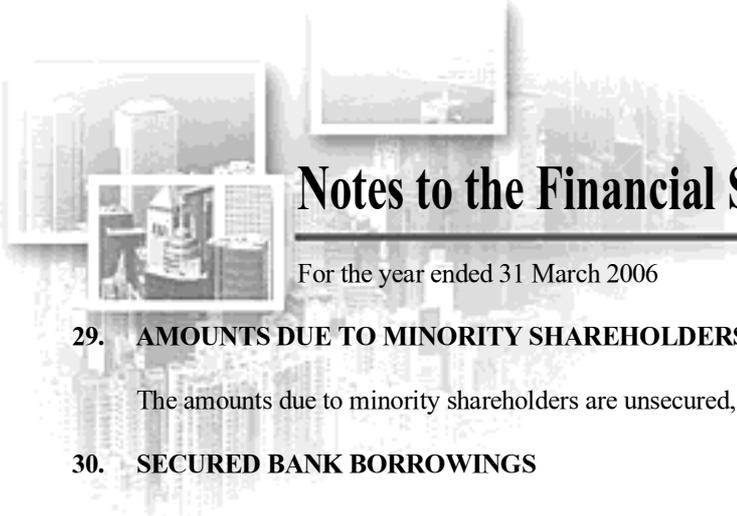
The effective interest rate of short-term bank deposits is 3.5% (2005: 2%). The deposits have a maturity of 7 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

28. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------------|-------------------|-------------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Trade payables | 7,121,305 | 4,771,718 | – | – |
| Other payables and accruals | 17,697,168 | 7,984,104 | 516,290 | 312,769 |
| Deposits received | 2,253,386 | 1,675,500 | – | – |
| | <u>27,071,859</u> | <u>14,431,322</u> | <u>516,290</u> | <u>312,769</u> |

At the balance sheet date, the ageing analysis of the trade payables was as follows:

| | 2006 | 2005 |
|----------------|------------------|------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Within 30 days | 5,939,181 | 3,890,952 |
| 31 to 60 days | 738,134 | 677,907 |
| 61 to 90 days | 14,420 | 91,944 |
| Over 90 days | 429,570 | 110,915 |
| | <u>7,121,305</u> | <u>4,771,718</u> |



Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured, interest-free and repayable on demand.

30. SECURED BANK BORROWINGS

Group

Secured bank borrowings are repayable as follows:

| | 2006 <i>HK\$</i> | 2005 <i>HK\$</i> |
|--|----------------------------|----------------------------|
| Within one year | 28,122,176 | — |
| After one year but within two years | 29,784,959 | — |
| After two years but within five years | 82,321,599 | — |
| | <hr/> | <hr/> |
| | 140,228,734 | — |
| Amount due within one year included in current liabilities | (28,122,176) | — |
| | <hr/> | <hr/> |
| Amount due after one year | <u>112,106,558</u> | <u>—</u> |

For the year ended 31 March 2006, interest was charged at the range of prime rate less 2% to prime rate less 1.5%. The average interest rate for the year was 4.075 % per annum.

At 31 March 2006, bank borrowings were secured by:

- (i) The hotel property in Macau, the interests in leasehold land for own use under operating leases and land premium with an aggregate carrying value of HK\$463,271,466.
- (ii) Corporate guarantee by the Company in the amount of HK\$230,000,000.
- (iii) One of the investment properties in Hong Kong with a carrying value of HK\$3,500,000.

The directors consider that the carrying amounts of the bank borrowings approximate their fair values.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

31. SHARE CAPITAL

| | 2006 Number of shares | 2006 HK\$ | 2005 Number of shares | 2005 HK\$ |
|--|-----------------------------|--------------------|-----------------------------|--------------------|
| Authorised: | | | | |
| Ordinary shares of HK\$0.05 each | | | | |
| At 1 April | 2,000,000,000 | 100,000,000 | 2,000,000,000 | 100,000,000 |
| Increase in authorised ordinary shares | 1,800,000,000 | 90,000,000 | – | – |
| | <u>3,800,000,000</u> | <u>190,000,000</u> | <u>2,000,000,000</u> | <u>100,000,000</u> |
| At 31 March | <u>3,800,000,000</u> | <u>190,000,000</u> | <u>2,000,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid: | | | | |
| At 1 April | 1,095,884,000 | 54,794,200 | 1,095,884,000 | 54,794,200 |
| New shares issued – placing | 219,176,800 | 10,958,840 | – | – |
| New shares issued | 1,315,060,800 | 65,753,040 | – | – |
| | <u>2,630,121,600</u> | <u>131,506,080</u> | <u>1,095,884,000</u> | <u>54,794,200</u> |
| At 31 March | <u>2,630,121,600</u> | <u>131,506,080</u> | <u>1,095,884,000</u> | <u>54,794,200</u> |

By a special resolution dated 3 October 2005, the authorised share capital of the Company was increased from HK\$100 million divided into 2,000,000,000 ordinary shares of HK\$0.05 each to HK\$190 million by the creation of a further 1,800,000,000 shares of HK\$0.05 each ranking pari passu in all respects with the existing shares of the Company.

On 25 May 2005, the Company issued 219,176,800 shares to its major shareholder pursuant to a top-up placing agreement entered into on 11 May 2005 at a placing price of HK\$0.6 per share.

On 24 October 2005, the Company issued 1,315,060,800 shares at HK\$0.15 per share pursuant to an open offer to its shareholders. The shares were issued to fund the acquisition of Waldorf Holding Limited and its subsidiaries, a group of companies principally engaged in the ownership and operation of a hotel in Macau.

32. SHARE OPTIONS

On 30 August 2002, the Company adopted a share option scheme (the “Scheme”) for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 109,588,400 shares (being 10% of the issued share capital of the Company at 30 August 2002). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders’ approval. The option period shall be not more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of the grant of the option. The Scheme will remain in force until 29 August 2012.