



## Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

### 32. SHARE OPTIONS *(continued)*

On 13 December 2005, options to subscribe for a total of 70,000,000 shares of HK\$0.05 each of the Company were granted to the executive directors of the Company at the exercise price of HK\$0.2254 per share. The options may be exercised from the date of grant to 30 August 2012.

No option was exercised during the year and thus the total number of shares under outstanding options as at 31 March 2006 was 70,000,000.

The following information is relevant in the determination of the fair value of the options granted during the year:

	<b>2006</b>	
Option pricing model used		Binomial lattice
Weighted average share price at grant date		HK\$0.215
Exercise price		HK\$0.2254
Date of expiry		30 August 2012
Expected volatility		80%
Expected dividend growth rate		0%
Risk-free interest rate		<u>4.354%</u>
	<b>2006</b>	<b>2005</b>
	<i>HK\$</i>	<i>HK\$</i>
Option expense	<u>3,934,394</u>	<u>—</u>

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 33. CAPITAL AND RESERVES

### (a) Group

2005	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Investment properties revaluation reserve HK\$	Other properties revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2004							
As previously reported	54,794,200	293,365,856	28,784,000	38,530,053	74,068,957	(281,102,221)	208,440,845
Prior year adjustment arising from adoption of new HKFRS – HKAS 40 and INT-21 (note 3)	–	–	–	(38,530,053)	–	31,787,294	(6,742,759)
Prior year adjustment on deferred tax on revaluation reserve for leasehold land and buildings (note 14)	–	–	–	–	(12,951,638)	356,142	(12,595,496)
As restated	54,794,200	293,365,856	28,784,000	–	61,117,319	(248,958,785)	189,102,590
Surplus on revaluation	–	–	–	–	11,840,399	–	11,840,399
Revaluation – tax effect (restated)	–	–	–	–	(2,082,500)	–	(2,082,500)
Profit for the year (restated)	–	–	–	–	–	23,242,279	23,242,279
At 31 March 2005	54,794,200	293,365,856	28,784,000	–	70,875,218	(225,716,506)	222,102,768

2006	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Employee share-based compensation reserve HK\$	Investment properties revaluation reserve HK\$	Other properties revaluation reserve HK\$	Accumulated losses HK\$	Equity attributable to equity holders of the Company HK\$	Minority interests HK\$	Total equity HK\$
At 1 April 2005										
As previously reported	54,794,200	293,365,856	28,784,000	–	47,530,053	85,909,356	(265,534,475)	244,848,990	–	244,848,990
Prior year adjustment arising from adoption of new HKFRS – HKAS 40 and INT-21 (note 3)	–	–	–	–	(47,530,053)	–	39,212,294	(8,317,759)	–	(8,317,759)
Prior year adjustment on deferred tax on revaluation reserve for leasehold land and buildings (note 14)	–	–	–	–	–	(15,034,138)	605,675	(14,428,463)	–	(14,428,463)
As restated	54,794,200	293,365,856	28,784,000	–	–	70,875,218	(225,716,506)	222,102,768	–	222,102,768
Issue of shares at premium	76,711,880	252,053,320	–	–	–	–	–	328,765,200	–	328,765,200
Share issue expenses	–	(5,247,098)	–	–	–	–	–	(5,247,098)	–	(5,247,098)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	12,174,182	12,174,182
Capital contribution from minority interests	–	–	–	–	–	–	–	–	95,889	95,889
Surplus on revaluation	–	–	–	–	–	2,200,650	–	2,200,650	–	2,200,650
Revaluation – tax effect	–	–	–	–	–	(385,114)	–	(385,114)	–	(385,114)
Employee share option benefits	–	–	–	3,934,394	–	–	–	3,934,394	–	3,934,394
Profit for the year	–	–	–	–	–	–	45,491,787	45,491,787	(3,112,267)	42,379,520
At 31 March 2006	131,506,080	540,172,078	28,784,000	3,934,394	–	72,690,754	(180,224,719)	596,862,587	9,157,804	606,020,391

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 33. CAPITAL AND RESERVES

### (b) Company

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Employee share-based compensation reserves <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2004	54,794,200	293,365,856	28,784,000	–	(236,003,723)	140,940,333
Profit for the year	–	–	–	–	(11,617,965)	(11,617,965)
At 1 April 2005	54,794,200	293,365,856	28,784,000	–	(247,621,688)	129,322,368
Issue of shares at premium	76,711,880	252,053,320	–	–	–	328,765,200
Share issue expenses	–	(5,247,098)	–	–	–	(5,247,098)
Employee share option benefits	–	–	–	3,934,394	–	3,934,394
Loss for the year	–	–	–	–	(5,544,218)	(5,544,218)
At 31 March 2006	<u>131,506,080</u>	<u>540,172,078</u>	<u>28,784,000</u>	<u>3,934,394</u>	<u>(253,165,906)</u>	<u>451,230,646</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.

## 34. 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 Hong Kong's 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:

	<b>Group</b>	
	<b>2006</b> <i>HK\$</i>	<b>2005</b> <i>HK\$</i>
Present value of funded obligations	<u>2,307,157</u>	<u>2,815,402</u>

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 34. PROVISION FOR LONG SERVICE PAYMENTS *(continued)*

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

	<b>2006</b>	<b>Group</b>
	<i>HK\$</i>	<i>2005</i>
		<i>HK\$</i>
Current service cost	773,467	433,163
Interest cost	175,537	140,631
Net actuarial (gains)/losses recognised during the year	(229,871)	72,441
	<u>719,133</u>	<u>646,235</u>

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

	<b>2006</b>	<b>Group</b>
	<i>HK\$</i>	<i>2005</i>
		<i>HK\$</i>
At beginning of year	2,815,402	3,050,289
Total expense recognised in the income statement	719,933	646,235
Payments made during the year:		
– MPF contributions	(681,649)	(507,972)
– Long service payments	(546,529)	(373,150)
At end of year	<u>2,307,157</u>	<u>2,815,402</u>

The principal actuarial assumptions used were as follows:

	<b>2006</b>	<b>Group</b>
		<b>2005</b>
Discount rate	4.4%	4.3%
Expected rate of future salary increases	<u>1.2%</u>	<u>1.2%</u>

## 35. ACQUISITIONS DURING THE YEAR

During the year, the Group made the following acquisitions:

- (a) On 13 April 2005, the Company's wholly-owned subsidiary, Well Prime International Limited, subscribed for 600 ordinary shares in Reli-a-bo Entertainment Limited ("Reli-a-bo"), representing 60% equity interest in Reli-a-bo, for a consideration of HK\$600. Reli-a-bo carries on the business of talent management in the entertainment industry.

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 35. ACQUISITIONS DURING THE YEAR *(continued)*

- (b) On 12 July 2005, the Company's wholly owned subsidiary, Winkler Profits Limited ("Winkler") subscribed for 51% of the issued shares of Witty Ventures Limited ("Witty") for a consideration of HK\$51. In addition, Winkler advanced an interest-free loan of HK\$8,160,000 to Witty. Witty is engaged in the retail sale of watches.

The above businesses contributed revenues of HK\$71,131,000 and a net loss of HK\$5,715,000 for the year ended 31 March 2006. At the date of acquisition, Reli-a-bo had not commenced operations while Witty commenced business just prior to the acquisition by the Group. As such, it is impracticable to disclose the contribution to the Group's revenue and operating results as if the acquisitions were completed on 1 April 2005.

A summary of the total net liabilities assumed and goodwill from the acquisitions mentioned in (a) and (b) above are as follows:

	<i>HK\$</i>
Purchase consideration for shares acquired:	
– cash paid for the consideration	651
Purchase consideration for loan assumed	8,160,000
Fair value of net liabilities assumed (see below)	448,976
Fair value of loan	(8,160,000)
	<u>449,627</u>
Goodwill	<u>449,627</u>

The total assets and liabilities arising from these acquisitions are as follows:

	<b>Acquirees' carrying amounts</b> <i>HK\$</i>	<b>Fair value</b> <i>HK\$</i>
Cash and cash equivalents	1,102,323	1,102,323
Property, plant and equipment	355,497	355,497
Inventories	14,541,420	14,541,420
Trade and other receivables	101,764	101,764
Trade and other payables	(49,120)	(49,120)
Payable to shareholders	(16,800,164)	(16,800,164)
	<u>(748,280)</u>	<u>(748,280)</u>
Net liabilities assumed		(748,280)
Minority interests		299,304
Net liabilities		<u>(448,976)</u>
Purchase consideration settled in cash		8,160,651
Cash and cash equivalents in subsidiaries acquired		(1,102,323)
		<u>7,058,328</u>
Cash outflow on acquisition		<u>7,058,328</u>



## Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

### 35. ACQUISITIONS DURING THE YEAR *(continued)*

- (c) On 3 and 6 June 2005, the Company's wholly owned subsidiary, Worldaim Enterprise Limited ("Worldaim"), subscribed for 51 shares in Wellprecise Limited ("Wellprecise"), representing 51% equity interest in Wellprecise, for a consideration of HK\$51.

On 19 January 2006 and 20 March 2006, Worldaim further acquired a total of 29% equity interest in Wellprecise from a minority shareholder at a total consideration of HK\$29. At the dates of acquisition, the fair value of 29% of the net liabilities assumed was HK\$920,465, resulting in goodwill of HK\$920,494.

- (d) On 28 October 2005, the Company's wholly-owned subsidiary, Widelead Group Limited ("Widelead") acquired 95% of the registered capital of Waldorf Holding Limited ("Waldorf"), the holding company of a group of companies principally engaged in the ownership and operation of a hotel in Macau SAR, for a total cash consideration of MOP191,442,400 (approximately HK\$185,866,408) from Wealth Access Holdings Limited ("Wealth Access") and Sunling Resources Limited, both related companies. In addition, Widelead acquired the rights and benefits of unsecured interest-free loans of MOP90,557,600 (approximately HK\$87,920,000) advanced by Wealth Access to Waldorf for a total cash consideration of MOP90,557,600. The Company and the related companies have common directors and beneficial shareholders.

A summary of the total net assets acquired and goodwill from this acquisition is as follows:

	<i>HK\$</i>
Purchase consideration for shares:	
– Cash paid	185,866,408
– Direct costs relating to the acquisition	3,880,587
	<hr/>
	189,746,995
Purchase consideration for loan assumed	87,920,000
	<hr/>
Total purchase consideration	277,666,995
Fair value of net assets acquired – as shown below	(219,507,392)
Fair value of loan	(87,920,000)
	<hr/>
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	<u>(29,760,397)</u>

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 35. ACQUISITIONS DURING THE YEAR *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount</b> <i>HK\$</i>	<b>Fair value</b> <i>HK\$</i>
Cash and cash equivalents	33,724,521	33,724,521
Goodwill	15,000	15,000
Property, plant and equipment	172,136,225	229,401,432
Interests in leasehold land for own use under operating leases	75,368,572	75,368,572
Land premium	–	185,796,476
Investment properties	3,000,000	3,000,000
Inventories	2,309,674	2,309,674
Trade and other receivables	11,527,886	11,527,886
Trade and other payables	(21,415,171)	(21,415,171)
Payable to shareholders	(107,920,000)	(107,920,000)
Bank borrowings	(151,532,202)	(151,532,202)
Net deferred tax liabilities	–	(29,215,775)
Net assets	<u>17,214,505</u>	<u>231,060,413</u>
Minority interests		<u>(11,553,021)</u>
Net assets acquired		<u>219,507,392</u>
Purchase consideration settled in cash		277,666,995
Cash and cash equivalents in subsidiary acquired		<u>(33,724,521)</u>
Cash outflow on acquisition		<u>243,942,474</u>

Since the date of acquisition, the above business contributed revenues of HK\$55,628,000 and a net profit of HK\$9,252,000. On the assumption that the acquisition were completed on 1 April 2005, the total revenue and a net profit for the year ended 31 March 2006 would have been HK\$132,439,000 and HK\$22,151,000 respectively.

# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 36. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT

Reconciliation of profit before taxation to net cash inflow generated from operations:

	2006 HK\$	2005 HK\$ (Restated)
Profit before taxation	45,650,897	28,628,357
Interest income	(3,273,315)	(23,438)
Increase in fair value of revaluation of other properties	–	(59,601)
Increase in fair value of investment properties	(4,500,000)	(9,000,000)
Impairment loss of goodwill	1,370,121	–
Amortisation of goodwill	–	1,003,778
Operating lease rental in respect of interests in leasehold land for own use	719,165	–
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	(29,760,397)	–
Amortisation of land premium	1,801,856	–
Share option expenses	3,934,394	–
Depreciation of property, plant and equipment	25,133,629	5,123,466
Interest expenses	3,384,886	28,479
	<hr/>	<hr/>
Operating profit before working capital changes	44,461,236	25,701,041
Increase in inventories	(4,364,467)	(682,986)
Increase in trade and other receivables	(1,104,637)	(566,153)
Decrease in trade and other payables	(8,823,754)	(1,168,698)
Decrease in provision for long service payments	(508,245)	(234,887)
	<hr/>	<hr/>
Net cash inflow generated from operations	<u>29,660,133</u>	<u>23,048,317</u>

## 37. COMMITMENTS

### (a) Operating lease commitments

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

	2006 HK\$	Group 2005 HK\$
Within one year	7,669,248	8,549,008
Within two to five years	4,249,565	2,350,926
	<hr/>	<hr/>
	<u>11,918,813</u>	<u>10,899,934</u>

The Company did not have any commitments under operating leases at 31 March 2006 (2005: Nil).



# Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

## 37. COMMITMENTS *(continued)*

### (b) Operating lease rental receivables

At the balance sheet date, the Group's future aggregate minimum rental receivables under non-cancellable operating leases were as follows:

	<b>2006</b>	<b>Group</b>	<b>2005</b>
	<i>HK\$</i>		<i>HK\$</i>
Within one year	38,295,482		4,526,000
Within two to five years	69,107,161		4,968,000
Over five years	1,080,000		–
	<u>108,482,643</u>		<u>9,494,000</u>

The Company did not have any operating lease rental receivables at 31 March 2006 (2005: Nil).

### (c) Capital commitments

	<b>2006</b>	<b>Group</b>	<b>2005</b>
	<i>HK\$</i>		<i>HK\$</i>
Commitments for acquisition of fixed assets			
– contracted but not provided for	–		292,246
	<u>–</u>		<u>292,246</u>

The Company did not have any capital commitments at 31 March 2006 (2005: Nil).

## 38. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year were:

	<b>Notes</b>	<b>2006</b>	<b>Group</b>	<b>2005</b>
		<i>HK\$</i>		<i>HK\$</i>
Acquisition of subsidiary from a related company	(a)	185,866,408		–
Hotel revenue, food and beverage revenues	(b)	1,573,130		–
Reimbursement of salaries and other allowances	(b)	7,897,061		–
Reimbursement of administrative expenses	(b)	392,332		–
Rental expenses to related companies	(c)	2,854,200	2,232,000	
Service income from related company	(d)	1,327,285		–
		<u>185,866,408</u>	<u>2,232,000</u>	



## Notes to the Financial Statements *(continued)*

For the year ended 31 March 2006

### 38. RELATED PARTY TRANSACTIONS *(continued)*

- (a) During the year, Widelead entered into an agreement with Wealth Access and Sunling Resources Limited as detailed in note 35.
- (b) One of the subsidiaries of the Group, Waldo Hotel Limited (“Waldo Hotel”), entered into a memorandum dated 25 August 2005 (as amended on 29 August 2005) (the “Memorandum”) with Waldo Entertainment Limited (“Waldo Entertainment”). Yeung Chi Hang, a director of the Company, is also a director of Waldo Entertainment and has beneficial interest therein. Waldo Entertainment is a service provider for the casino located in the hotel property of the Group. Pursuant to the Memorandum, Waldo Hotel agreed to provide certain services and facilities to the casino and its customers commencing from 25 August 2005 up to 31 March 2008. Related services included serving of food and beverages, provision of cleaning services and hotel accommodation services to Waldo Entertainment. Hotel revenue, food and beverage revenue were charged to Waldo Entertainment and the transactions were carried out at terms by reference to market prices of similar transactions.

Salaries, other allowances and certain administrative expenses were reimbursed by Waldo Entertainment at cost in accordance with the terms of the Memorandum.

- (c) Rental expenses were charged by related companies, associates of the directors Ma Shuk Kam, Yeung Chi Hang and a director of certain subsidiaries, Cheng Kwee, based on the tenancy agreements signed between the parties. The transactions were carried out at terms by reference to market prices of similar transactions.
- (d) Service income was charged to Great China Limited, an associate of Yeung Chi Hang and Cheng Kwee.
- (e) On 11 May 2005, a subscription agreement was entered into between the Company and World Possession Assets Limited (“World Possession”) of which Yeung Chi Hang, Yeung Kit Yu, Kitty and Ma Shuk Kam are substantial shareholders. World Possession agreed to subscribe for 219,176,800 shares of the Company at HK\$0.6 per share pursuant to a top-up placing.
- (f) On 3 and 6 June 2005, Worldaim subscribed for a total of 51% equity interest in a newly incorporated company, Wellprecise, for a consideration of HK\$51. On 18 June 2005, Worldaim entered into a shareholders’ agreement with Yuen Tak Yau, Daniel (“Mr. Yuen”) and Nation Group Limited (“Nation Group”). Pursuant to the agreement, Worldaim advanced an interest-free loan of HK\$2,039,949 to Wellprecise, and Mr. Yuen and Nation Group made similar advances in proportion to their shareholdings in Wellprecise. Nation Group is wholly owned by Poon Tak Yip, a director and substantial shareholder of Reli-a-bo Entertainment Limited, a 60% owned subsidiary of the Company.
- (g) On 12 July 2005, Winkler subscribed for 51% of the issued shares of Witty for a consideration of HK\$51. On the same date, Winkler entered into a shareholders agreement with Mr. Yuen. Pursuant to the agreement, Winkler advanced an interest-free loan of HK\$8,160,000 and Mr. Yuen advanced HK\$7,840,000 to Witty.