

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) General information

Pioneer Global Group Limited (the "Company") is a limited liability company, incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The principal activities of the Company, through its subsidiaries and associates, are described in notes 14 and 30.

### (b) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting period beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective and are pertinent to the operation of the Group. The Directors anticipate that the application of these standards and interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net Investments in a Foreign Operation <sup>2</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK (IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2006.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, available for sale investments and financial assets are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (d) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. All material intra-group transactions, balances and realized surplus and deficits on transactions between group companies have been eliminated. Minority interests represent the proportion of the results and net assets of subsidiaries not attributable to the Group.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless the investment is classified as held for sale.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e) Associates

Associates are companies where the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses, unless it is classified as held for sale.

### (f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment of associates over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

### (g) Investment properties

Investment properties are land and/or buildings, which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value is recognized in the income statement.

### (h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost over their estimated useful lives on the following bases:

Buildings	4% p.a.	straight line method
Others	10-25% p.a.	reducing balance method

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Investments in securities

Investments in securities, other than investments in subsidiaries and associates, are classified into three categories: held-to-maturity debt securities, financial assets and available for sale investments. Held-to-maturity debt securities are carried at amortized cost using the effective interest method. Financial assets are stated at fair value with changes recognised in the income statement. Available for sale investments are carried at fair value with any changes recognized in equity.

### (j) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than financial assets excluding investment in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Except for available for sale investments, a reversal of an impairment loss is recognized as income in the income statement.

### (k) Leases

#### (i) *Operating leases*

Leases whereby substantially all the rewards and risks of ownership of assets remain with the leasing company are considered as operating leases. Rental payable and receivable under operating leases are accounted for on a straight-line basis over the respective periods of the leases.

#### (ii) *Leasehold land lease*

Leasehold land represents up-front payments to acquire long-term interests in leasee-occupied properties. The land leases are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement or, when there is impairment, which is expensed in the income statement.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the income statement of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange reserve.

### (m) Revenue recognition

#### (1) Rental income

Rental income is recognised on a straight-line basis over the periods of the leases.

#### (2) Rendering of services

Services income is recognized when the services are rendered and billed to clients.

#### (3) Dividend income

Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognized when the Group's right to receive payment is established.

#### (4) Interest income

Interest income is recognized on a time proportion basis.

### (n) Employee benefits

#### (1) Retirement scheme

The Group participates in a defined contribution mandatory provident fund retirement benefits scheme in compliance with the Mandatory Provident Fund Schemes Ordinance. The assets of this scheme are held separately from those of the Group and administered independently. The Group's contributions are recognized in the income statement when incurred.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Employee benefits *(continued)*

#### (2) Share option scheme

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. Where vesting conditions exist, the fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

### (o) Taxation

Income tax expense represents the sum of the tax currently payable and the deferred tax. The tax currently payable is based on the taxable profit using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks repayable within three months from the date of placement, less bank overdrafts and advances from banks repayable within three months from the date of advance.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting period beginning on or after 1 January 2005. The accounting policies of the Group after the adoption of these new and revised HKFRSs have been summarized in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

### (a) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, investments in securities, other than investments in subsidiaries and associates, were classified as investment securities and other investments. Investment securities are securities intended to be held on a continuous basis and they were stated at cost less provision for impairment losses. Other investments are securities other than investment securities and they were stated at fair value. Changes in fair value were recognized in the income statement.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (a) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) *(continued)*

Following the adoption of HKAS 32 & 39, investments in securities are classified into three categories: held-to-maturity debt securities, financial assets and available for sale investments. Held-to-maturity debt securities are carried at amortized cost using the effective interest method. Financial assets are stated at fair value with changes recognized in the income statement. Available for sale investments are carried at fair value with any changes recognized in equity. The Group has adopted HKAS 32 & 39 prospectively.

	<b>Effect of HKAS 39 for the year ended 31 March 2006</b>
	<i>HK\$'000</i>
	increase (decrease)
<hr/>	
Consolidated Balance Sheet:	
Available for sale investments	106,364
Unlisted associates	57,666
Consolidated Equity:	
Investment revaluation reserve	164,030

### (b) Investment Property (HKAS 40, Investment property and HK (SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

In prior years, investment properties were valued annually by independent professional valuers on an open market basis. Changes in the value of investment properties are dealt with in the investment properties revaluation reserve. If the total of these reserves was insufficient to cover a deficit on a portfolio basis, the excess of deficit was charged to the income statement. On disposal of a revalued investment property, the relevant revaluation surplus or deficit was transferred to the income statement.

Following the adoption of HKAS 40, the Group has elected to use the fair value model to account for investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognized directly in the income statement for the period in which they arise. This change in accounting policy has been applied retrospectively.

## Notes to the Financial Statements

For the year ended 31 March 2006

**2. CHANGES IN ACCOUNTING POLICIES** (continued)**(b) Investment Property (HKAS 40, Investment property and HK (SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)** (continued)

In prior years, the deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale. HK (SIC) Interpretation 21 removes the presumption that the carrying amount of investment properties is to be recovered through sale but rather recovered through use. This change in accounting policy has been applied retrospectively.

	<b>Restatement of opening balances as a result of adoption of HKAS 40 and HK (SIC) Interpretation 21</b>		
	<b>31 March 2004</b> <i>HK\$'000</i>	<b>Prior period adjustments</b> <i>HK\$'000</i> increase(decrease)	<b>1 April 2004</b> <i>HK\$'000</i>
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Consolidated Balance Sheet			
Deferred tax liabilities	2,554	24,346	26,900
Consolidated Equity			
Investment property revaluation reserve	146,822	(146,822)	–
Retained earnings	(37,269)	122,476	85,207
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		<b>Effect of HKAS 40 and HK (SIC) Interpretation 21</b>	
		<b>31 March 2006</b> <i>HK\$'000</i> <b>increase (decrease)</b>	31 March 2005 <i>HK\$'000</i> increase (decrease)
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Consolidated Balance Sheet			
Deferred tax liabilities		<b>40,420</b>	29,401
Consolidated Income Statement			
Change in fair value of investment properties		<b>62,318</b>	28,884
Share of results of unlisted associates		<b>22,624</b>	41,926
Other gains and losses		–	(7,704)
Taxation – deferred		<b>11,019</b>	5,055
Net profit for the year		<b>73,923</b>	58,051
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Earnings per share		<b>HK 9.61 cents</b>	HK 7.66 cents
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## Notes to the Financial Statements

For the year ended 31 March 2006

**3. SEGMENT INFORMATION****Business Segment**

	Property and hotel		Investment and others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>Segment turnover</b>						
Company and subsidiaries	<b>36,744</b>	22,472	<b>9,109</b>	9,576	<b>45,853</b>	32,048
<b>Segment result</b>	<b>7,438</b>	7,367	<b>7,961</b>	8,061	<b>15,399</b>	15,428
Unallocated corporate expenses					<b>(520)</b>	(657)
Operating profit					<b>14,879</b>	14,771
Share of profits and (losses) of associates						
– Listed	–	–	<b>1,330</b>	(275)	<b>1,330</b>	(275)
– Unlisted	<b>69,570</b>	53,746	–	–	<b>69,570</b>	53,746
Change in fair value of investment properties	<b>62,318</b>	28,884	–	–	<b>62,318</b>	28,884
Other gains and losses	<b>(6,857)</b>	6,254	<b>10,376</b>	7,453	<b>3,519</b>	13,707
Finance costs					<b>(8,774)</b>	(1,440)
Taxation					<b>(12,924)</b>	(5,705)
Minority interests					<b>(399)</b>	(35)
Profit attributable to shareholders					<b>129,519</b>	103,653

## Notes to the Financial Statements

For the year ended 31 March 2006

**3. SEGMENT INFORMATION** (continued)**Business Segment** (continued)

	Property and hotel		Investment and others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>Segment assets and liabilities</b>						
Segment assets	<b>529,004</b>	367,830	<b>290,080</b>	195,220	<b>819,084</b>	563,050
Investment in associates:						
– Listed	–	–	–	54,938	–	54,938
– Unlisted	<b>356,273</b>	232,494	–	–	<b>356,273</b>	232,494
Consolidated total assets					<b>1,175,357</b>	850,482
Segment liabilities	<b>(233,716)</b>	(207,459)	<b>(772)</b>	(1,896)	<b>(234,488)</b>	(209,355)
Unallocated corporate liabilities					<b>(9,406)</b>	(3,819)
Consolidated total liabilities					<b>(243,894)</b>	(213,174)
<b>Other information</b>						
Capital expenditure	<b>130,925</b>	38,222	–	–	<b>130,925</b>	38,222
Depreciation & amortisation	<b>1,929</b>	562	<b>4</b>	13	<b>1,933</b>	575

**Geographical Segment**

	Turnover by geographical market		Segment assets	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	<b>41,523</b>	30,044	<b>681,678</b>	464,724
Overseas	<b>4,330</b>	2,004	<b>137,406</b>	98,326
	<b>45,853</b>	32,048	<b>819,084</b>	563,050

# Notes to the Financial Statements

For the year ended 31 March 2006

## 4. TURNOVER

	2006 HK\$'000	2005 HK\$'000
Rental income	21,255	18,037
Management fee income	6,017	4,339
Advisory fee income	8,792	–
Dividend income	6,817	5,864
Interest income	2,292	3,470
Others	680	338
	<b>45,853</b>	32,048

## 5. PROFIT BEFORE TAXATION

	2006 HK\$'000	2005 HK\$'000
<b>Profit before taxation has been arrived at after charging:</b>		
Interest on bank loans & overdraft wholly repayable within five years	8,464	1,346
Loan interest to an unlisted associate	310	94
Auditors' remuneration	272	261
Provision for long service payments to employees	(75)	33
Rental payment under non-cancellable leases	785	1,810
Exchange loss	175	–
<b>and after crediting:</b>		
Rental income from investment properties less direct outgoings	12,640	15,226
Listed investment income	4,186	4,576
Unlisted investment income	2,631	1,289
Interest income	2,292	3,470
Exchange gain	–	7

## Notes to the Financial Statements

For the year ended 31 March 2006

**6. OTHER GAINS AND LOSSES**

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Net profit on disposal of an listed associate	<b>9,658</b>	–
Net profit on disposal of investments	<b>3,209</b>	3,590
Profit/(loss) on sale of investment properties and other fixed assets	<b>(246)</b>	6,254
Increase in fair value of other investments and financial assets	<b>12</b>	3,273
Unrealised holding gain/(loss) on foreign exchange contract	–	37
Provision for impairment losses on investments & other assets	<b>(2,810)</b>	(2,076)
Provision for impairment losses on investment in associates	<b>(6,850)</b>	–
Recovery of receivables, debtors and advances & provision for an associate	<b>546</b>	2,629
	<b>3,519</b>	13,707

**7. TAXATION****(a) Taxation**

	<b>2006</b>			2005 (As restated)		
	<b>Current taxation HK\$'000</b>	<b>Deferred taxation HK\$'000</b>	<b>Total HK\$'000</b>	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000
Hong Kong						
– Provision for the year	<b>378</b>	<b>11,505</b>	<b>11,883</b>	761	5,010	5,771
– Over provision in prior year	<b>(506)</b>	–	<b>(506)</b>	(65)	–	(65)
Overseas						
– Provision for the year	<b>78</b>	–	<b>78</b>	(86)	85	(1)
– Under provision in prior year	<b>1,469</b>	–	<b>1,469</b>	–	–	–
	<b>1,419</b>	<b>11,505</b>	<b>12,924</b>	610	5,095	5,705

Hong Kong profits tax has been provided at the rate of 17.50% (2005: 17.50%) on the estimated Hong Kong source assessable profits for the year. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 7. TAXATION (continued)

### (b) Reconciliation between accounting profits and the tax charge

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (As restated)
Profit before taxation	<b>142,842</b>	109,393
Less: Share of (profits) and losses of associates		
– listed	<b>(1,330)</b>	275
– unlisted	<b>(69,570)</b>	(53,746)
Profit before taxation attributable to the Company and its subsidiaries	<b>71,942</b>	55,922
Tax calculated at applicable tax rate of 17.5% (2005: 17.5%)	<b>12,590</b>	9,786
Expenses not deductible for taxation purposes	<b>5,394</b>	494
Income not subject to taxation	<b>(5,320)</b>	(3,626)
Current year tax losses not recognised	<b>1,898</b>	13
Utilisation of previously unrecognised tax loss	<b>(1,245)</b>	(897)
Deferred tax asset not recognised during the year	<b>113</b>	–
Over provision in previous years	<b>(506)</b>	(65)
Taxation charge	<b>12,924</b>	5,705

## 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to equity holders of the Company for the year ended 31 March 2006 in the financial statements of the Company was HK\$252,845,000 (2005: HK\$7,181,000).

## Notes to the Financial Statements

For the year ended 31 March 2006

**9. DIVIDENDS**

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Interim dividend of HK0.50 cent (2005: HK0.50 cent) per ordinary share	<b>3,847</b>	3,847
Proposed final cash dividend of HK1.20 cents (2005: HK1.00 cent) per ordinary share	<b>9,232</b>	7,694
	<b>13,079</b>	11,541
The dividends which have been paid during the year by cash are as follows:		
Interim for the year ended 31 March 2006	<b>3,847</b>	3,847
Final for the year ended 31 March 2005	<b>7,694</b>	2,489
	<b>11,541</b>	6,336

The 2006 final cash dividend of HK1.20 cents (2005: HK1.00 cent) per ordinary share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

**10. EARNINGS PER SHARE**

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$129,519,000 (2005: (Restated) HK\$103,653,000) and on 769,359,104 shares (2005: on weighted average number of 758,295,989 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2006 and 31 March 2005 as the Company had no dilutive potential ordinary shares during both years.

## Notes to the Financial Statements

For the year ended 31 March 2006

**11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS****(a) Directors' emoluments**

	Directors' fee HK\$'000	Salaries, allowances and benefits HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	2006 Total HK\$'000
Executive directors					
Rossana Wang Gaw	50	1,800	60	12	1,922
Goodwin Gaw	50	420	500	–	970
Kenneth Gaw	50	2,310	590	12	2,962
Jane Tsui	50	120	20	7	197
Independent non-executive directors					
Charles, Wai Bun Cheung	80	–	–	–	80
Bernard Charnwut Chan	80	–	–	–	80
Arnold Tin Chee Ip	80	–	–	–	80
<b>Total</b>	<b>440</b>	<b>4,650</b>	<b>1,170</b>	<b>31</b>	<b>6,291</b>

	Directors' fee HK\$'000	Salaries, allowances and benefits HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	2005 Total HK\$'000
Executive directors					
Rossana Wang Gaw	30	2,205	60	12	2,307
Goodwin Gaw	30	730	–	–	760
Kenneth Gaw	30	2,796	180	12	3,018
Jane Tsui	30	180	10	7	227
Independent non-executive directors					
Charles, Wai Bun Cheung	30	–	–	–	30
Bernard Charnwut Chan	30	–	–	–	30
Arnold Tin Chee Ip	30	–	–	–	30
<b>Total</b>	<b>210</b>	<b>5,911</b>	<b>250</b>	<b>31</b>	<b>6,402</b>

## Notes to the Financial Statements

For the year ended 31 March 2006

**11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS** (continued)**(b) Other senior management's emoluments**

- (1) During the year, the five highest paid individuals included three directors (2005: four directors), details of whose emoluments are included above. The details of the remuneration of the remaining two (2005: one) highest paid individual are set out below:

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>1,624</b>	925
Bonuses	<b>590</b>	70
Pension scheme contributions	<b>20</b>	12
	<b>2,234</b>	1,007

The number of highest paid individuals fell within emoluments bands are as follows:

	<b>2006</b>	2005
HK\$		
Nil – 1,000,000	<b>1</b>	–
1,000,001 – 1,500,000	<b>1</b>	1



# Notes to the Financial Statements

For the year ended 31 March 2006

## 12. FIXED ASSETS

### (a) Investment properties

	2006 HK\$'000	2005 HK\$'000
At valuation	227,100	180,203
At cost	9,537	9,537
At 31 March 2005 (31 March 2004)	236,637	189,740
Additions	119,599	37,716
Disposals	(1,591)	(19,645)
Exchange adjustment	–	(58)
Reclassification	(23,663)	–
Revaluation	62,318	28,884
<b>At 31 March 2006 (31 March 2005)</b>	<b>393,300</b>	<b>236,637</b>

Investment properties comprises the following:

	2006 HK\$'000	2005 HK\$'000
At valuation:		
Leasehold properties in Hong Kong – long term	151,000	48,100
Leasehold properties in Hong Kong – medium term	235,000	179,000
Long term leasehold properties in Mainland China	7,300	–
	<b>393,300</b>	<b>227,100</b>
At cost:		
Long term leasehold properties in Mainland China	–	7,947
Freehold property in Myanmar	–	1,590
	–	9,537
	<b>393,300</b>	<b>236,637</b>

## Notes to the Financial Statements

For the year ended 31 March 2006

**12. FIXED ASSETS** *(continued)***(a) Investment properties** *(continued)*

Investment properties have been valued at 31 March 2006 by AA Property Services Limited, independent professional valuers, on an open market value basis.

**(b) Leasehold land**

The Company's interest in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
In Hong Kong, held on leases:		
Over 50 years	<b>11,358</b>	–

## Notes to the Financial Statements

For the year ended 31 March 2006

**12. FIXED ASSETS** (continued)**(c) Property, plant and equipment**

	<b>Building</b> HK\$'000	<b>Other assets</b> HK\$'000	<b>Total</b> HK\$'000
<b>Cost</b>			
At 31 March 2004	–	10,357	10,357
Additions	–	506	506
Disposals	–	(1,690)	(1,690)
Exchange adjustment	–	(5)	(5)
Reclassification to other investments	–	(152)	(152)
At 31 March 2005	–	9,016	9,016
Additions	11,832	11,326	23,158
Disposals	–	(1,670)	(1,670)
<b>At 31 March 2006</b>	<b>11,832</b>	<b>18,672</b>	<b>30,504</b>
<b>Accumulated depreciation</b>			
At 31 March 2004	–	7,660	7,660
Charge for the year	–	575	575
Disposals	–	(1,348)	(1,348)
Exchange adjustment	–	(4)	(4)
Reclassification to other investments	–	(86)	(86)
At 31 March 2005	–	6,797	6,797
Charge for the year	473	986	1,459
Disposals	–	(1,364)	(1,364)
<b>At 31 March 2006</b>	<b>473</b>	<b>6,419</b>	<b>6,892</b>
<b>Net book value</b>			
<b>At 31 March 2006</b>	<b>11,359</b>	<b>12,253</b>	<b>23,612</b>
At 31 March 2005	–	2,219	2,219

Other assets comprised of leasehold improvements, furniture and fixtures and motor vehicles.

## Notes to the Financial Statements

For the year ended 31 March 2006

**13. LISTED ASSOCIATE**

On 29 March 2006, the Group disposed of its entire shareholding, 14.31%, of Siam Food Products Public Company Limited which is listed on the Stock Exchange of Thailand for Thai Baht 285,500,000 (approximately HK\$56,800,000). The details of disposal were provided in a circular to shareholders dated 27 April 2006.

**14. UNLISTED ASSOCIATES**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> Restated
<b>The Group</b>		
At cost	<b>14,507</b>	122,805
Goodwill written off	<b>(3,029)</b>	(3,029)
Impairment losses	<b>(18,588)</b>	(11,497)
Exchange reserves	<b>3,847</b>	46
Attributable to post acquisition profit	<b>81,605</b>	11,248
Attributable to investment revaluation reserve	<b>57,666</b>	–
Share of net assets	<b>136,008</b>	119,573
Amount due from associates	<b>230,908</b>	132,921
Amount due to associates	<b>(10,643)</b>	(20,000)
	<b>356,273</b>	232,494
<b>The Company</b>		
At cost	<b>516</b>	516
Amount due from associates	<b>40,283</b>	39,932
	<b>40,799</b>	40,448

# Notes to the Financial Statements

For the year ended 31 March 2006

## 14. UNLISTED ASSOCIATES (continued)

### (a) Major associates

Name	Country of incorporation	Investment by associates	Group's effective interest in associates		Issued share capital
Valuedrive Investments Ltd	British Virgin Islands	AIA Tower, Macau	25.0%	50.0%	HK\$10
Keencity Properties Ltd	British Virgin Islands	Aisawan Resorts, Pattaya, Thailand	49.5%	49.5%	US\$9,939,020
Pioneer Hospitality Siam (GBR) Ltd	Thailand	Hotel operating businesses	49.5%	49.5%	Baht 5,000,000
Tidefull Investment Ltd	Liberia	Shanghai K Wah Centre, China	7.7%	50.0%	1 fully paid without par value
Pioneer iNetwork Ltd	Hong Kong	10% of listed shares of Dusit Thani Public Company Ltd and 5% of shares of Gateway China Fund I	50.0%	50.0%	HK\$2
Strand Hotels International Ltd	British Virgin Islands	Three hotels in Myanmar	14.0%	28.0%	US\$11,101,191
Global Gateway, L.P.	United States	Telecom infrastructure in Hong Kong and Singapore	20.0%	20.0%	Partnership interest

Valuedrive Investments Ltd is a new associate invested by the Group in April 2005. The details of the investment were provided in a circular to the shareholders in May 2005.

During 2005, Global Gateway, L.P. disposed of all its real property investments and commenced voluntary wind-up. The total cash distribution received by the Group was HK\$107,700,000.

## Notes to the Financial Statements

For the year ended 31 March 2006

**14. UNLISTED ASSOCIATES** (continued)

(b) The summarized financial information in respect of the Group's associates is set out below:

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Total assets	<b>1,087,758</b>	1,264,818
Total liabilities	<b>(660,888)</b>	(629,649)
Net assets	<b>426,870</b>	635,169
Revenue	<b>75,333</b>	73,059
Profit for the year	<b>187,621</b>	43,990

**15. AVAILABLE FOR SALE INVESTMENTS**

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<b>The Group</b>		
Listed investments		
Hong Kong	<b>170,264</b>	–
Unlisted investments		
Hong Kong	<b>57,060</b>	–
Outside Hong Kong	<b>47,453</b>	–
	<b>274,777</b>	–
<b>The Company</b>		
Listed investments		
Hong Kong	<b>10,600</b>	–

The available for sale investments are shown at fair value. The fair value of the listed investments is based on market value. Unlisted investments are valued by reference to the underlying investments.

Included in the listed investments above, the Group held 4.1% equity interest in Asia Financial Holdings Ltd., a company incorporated in Bermuda with limited liability.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 16. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	2006 HK\$'000	2005 HK\$'000
Investment disposal receivables	62,588	–
Trade and rental debtors	13	73
Advances & prepayments	5,993	29,041
	<b>68,594</b>	29,114

The Group does not allow credit period to its tenants and allows an average credit period of 30 days to its trade customers.

	2006 HK\$'000	2005 HK\$'000
Aging analysis		
0 – 30 days	13	73
31 – 60 days	–	–
61 – 90 days	–	–
> 90 days	–	–
	<b>13</b>	73

## 17. INVESTMENTS – FINANCIAL ASSETS AT FAIR VALUE

	2006 HK\$'000	2005 HK\$'000
Listed shares, at market value		
In Hong Kong	218	–
Outside Hong Kong	20,208	–
	<b>20,426</b>	–

## Notes to the Financial Statements

For the year ended 31 March 2006

**18. SUBSIDIARY COMPANIES**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	<b>424,433</b>	424,433
Amount due by subsidiaries	<b>365,378</b>	362,797
Provision for impairment	<b>(45,666)</b>	(295,666)
	<b>744,145</b>	491,564

A list of major subsidiaries is set out in note 30.

**19. SHARE CAPITAL**

	<b>No. of shares</b> <b>of HK\$0.10 each</b>	<i>HK\$'000</i>
Authorised		
At 31 March 2006 and 31 March 2005	2,000,000,000	200,000
Issued and fully paid		
At 31 March 2006 and 31 March 2005	769,359,104	76,935

**20. RESERVES****The Group**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Share premium	<b>307,687</b>	307,687
Capital reserve and contributed surplus	<b>41,242</b>	52,783
Exchange reserve	<b>6,781</b>	9,562
Investment revaluation reserve	<b>164,030</b>	–
Retained earnings	<b>318,379</b>	188,860
	<b>838,119</b>	558,892



# Notes to the Financial Statements

For the year ended 31 March 2006

## 20. RESERVES (continued)

### The Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
At 31 March 2004	304,729	403,929	(261,175)	–	447,483
Shares repurchased	(3)	–	–	–	(3)
Shares issued as scrip dividend	2,961	–	–	–	2,961
Profit for the year	–	–	7,181	–	7,181
Final dividend paid for the year ended 31 March 2004	–	(7,490)	–	–	(7,490)
Interim dividend paid for the year ended 31 March 2005	–	(3,847)	–	–	(3,847)
At 31 March 2005	307,687	392,592	(253,994)	–	446,285
At 31 March 2005	307,687	392,592	(253,994)	–	446,285
Profit for the year	–	–	252,845	–	252,845
Final dividend paid for the year ended 31 March 2005	–	(7,694)	–	–	(7,694)
Interim dividend paid for the year ended 31 March 2006	–	(3,847)	–	–	(3,847)
Revaluation of available for sale investments	–	–	–	6,250	6,250
<b>At 31 March 2006</b>	<b>307,687</b>	<b>381,051</b>	<b>(1,149)</b>	<b>6,250</b>	<b>693,839</b>

The reserves of the Company available for distribution to shareholders as at the balance sheet date, calculated in accordance with the Bermuda Companies Act, amount to HK\$379,902,000 (2005: HK\$138,598,000).

## Notes to the Financial Statements

For the year ended 31 March 2006

**21. SECURED BANK LOANS**

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
<b>The Group</b>		
Current		
Repayable on demand	<b>87,921</b>	143,700
	<b>87,921</b>	143,700
Non-current		
Repayable more than one year but not exceeding two years	<b>83,200</b>	21,450
Repayable more than two years but not exceeding five years	<b>17,000</b>	–
	<b>100,200</b>	21,450
<b>The Company</b>		
Current		
Repayable on demand	<b>54,121</b>	59,000

All bank loans are denominated in Hong Kong dollars (2005: 7.6% of the bank loans were denominated in United States dollars). The effective interest rate at the balance sheet date was 5.1% (2005: 2.5%). The carrying amounts of bank loans approximate to their fair value based on prevailing market interest rate.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 22. DEFERRED TAXATION

The components of deferred tax liabilities recognised in the consolidated balance sheet and movements thereon during the current and prior years are as follows:

	Revaluation of investment properties and other properties HK\$'000	Accelerated tax depreciation HK\$'000	Unremitted profits HK\$'000	Total HK\$'000
At 31 March 2005, as restated	29,401	1,523	850	31,774
(Credit)/charge to income statement				
– subsidiaries	11,019	484	–	11,503
– reversal of unremitted profit upon disposal of associates	–	–	(850)	(850)
<b>At 31 March 2006</b>	<b>40,420</b>	<b>2,007</b>	<b>–</b>	<b>42,427</b>
At 31 March 2004, as previously reported	–	1,568	986	2,554
Prior year adjustment				
Deferred tax arising from fair value change of investment properties	24,346	–	–	24,346
At 31 March 2004, as restated	24,346	1,568	986	26,900
Prior year adjustment				
Deferred tax arising from fair value change of investment properties	5,055	–	–	5,055
Credit to income statement				
– subsidiaries	–	(45)	–	(45)
– listed associate	–	–	(60)	(60)
– unlisted associates	–	–	(76)	(76)
At 31 March 2005, as restated	29,401	1,523	850	31,774

The Group has tax losses of HK\$32,300,000 (2005: HK\$38,700,000) to offset against future taxable profits for which no deferred tax assets have been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## Notes to the Financial Statements

For the year ended 31 March 2006

**23. CREDITORS & ACCRUALS**

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
<hr/>		
Creditors and accruals comprised the following:		
Trade creditors	–	41
Provision for long service payments	<b>1,594</b>	1,769
Accruals & other creditors	<b>10,721</b>	13,776
	<hr/> <b>12,315</b> <hr/>	<hr/> 15,586 <hr/>

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
<hr/>		
Aging analysis		
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
> 90 days	–	41
	<hr/> – <hr/>	<hr/> 41 <hr/>

# Notes to the Financial Statements

For the year ended 31 March 2006

## 24. CONTINGENT LIABILITIES & COMMITMENTS

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Guarantees				
– to subsidiaries	–	–	<b>188,120</b>	142,070
– to an associate	–	30	–	–
– on utility deposits	<b>486</b>	224	–	–
Commitments				
– to purchase foreign currency (US\$10,000,000)	–	78,488	–	78,488
– to sell Hong Kong Dollars	–	78,488	–	78,488
– to purchase investment properties	–	93,509	–	–
– for further investment	–	682	–	–
– for total future minimum lease payments				
– not later than one year	<b>5,493</b>	1,423	–	–
– later than one year and not later than five years	<b>2,919</b>	240	–	–

## 25. OPERATING LEASE RECEIVABLE

At the balance sheet date, the Group's total future minimum lease payments to be received under non-cancellable rental leases in respect of investment properties are as follows:

	2006 HK\$'000	2005 HK\$'000
Not later than one year	<b>20,071</b>	16,879
Later than one year but not later than five years	<b>11,003</b>	18,288
	<b>31,074</b>	35,167

## Notes to the Financial Statements

For the year ended 31 March 2006

**26. PLEDGE OF ASSETS**

At the balance sheet date, properties, investments and bank balances of the Group with a carrying value of approximately HK\$373 million, HK\$160 million and HK\$23 million (2005: HK\$216 million, HK\$109 million and HK\$41 million) respectively were pledged to secure banking and other loan facilities to the extent of HK\$319 million (2005: HK\$198 million) of which HK\$188 million (2005: HK\$165 million) was utilised at that date.

**27. SHARE OPTION SCHEME**

As at 31 March 2006, the Company had outstanding options to subscribe for an aggregate of 50,052,962 (2005: 50,052,962) shares in the Company. Summary of the outstanding options is as follows:

<b>Exercise Price</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Number of options At 31 March 2006 &amp; 31 March 2005</b>
<b>To executive directors</b>			
HK\$1.8897	24 October 1996	24 October 1996 to 23 October 2006	22,200,039
HK\$1.5405	6 March 1997	6 March 1997 to 5 March 2007	26,149,309
			48,349,348
<b>To employees</b>			
HK\$0.6359	30 August 2001	30 August 2001 to 29 August 2006	1,703,614
			50,052,962

No options were exercised during the year.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 28. RELATED PARTY TRANSACTIONS

- (a) The Group subscribed a preference share for a consideration of US\$1 issued by an entity controlled by two directors of the Company.
- (b) The Group rented office space at market rate to an entity controlled by two directors of the Company. Gross rent in the financial year ended 31 March 2006 amounted to HK\$171,000.

The transactions of (a) and (b) above were exempted from announcement, reporting and shareholders' approval as the transactions were within the relevant maximum amount permitted under the listing rules of the Stock Exchange.

## 29. EVENTS AFTER BALANCE SHEET DATE

- (a) In May 2006, the Group acquired a Hong Kong incorporated company for HK\$82,000,000. The acquired company is a holding company which owns the whole of 1st, 2nd, 22nd, 25th, 27th, 29th, 31st and 35th floors of Morrison Plaza, Wanchai, Hong Kong. Details of the purchase were provided in a circular to the shareholders on 15 May 2006.
- (b) In June 2006, the Group entered into a provisional sale and purchase agreement to dispose of the whole of 1st and 2nd floors of Morrison Plaza, Wanchai, Hong Kong for HK\$33,000,000. Details of the disposal were provided in a circular to the shareholders on 26 June 2006.

## 30. LIST OF MAJOR SUBSIDIARIES

Name of company	Main activity	Country of incorporation	No. of issued shares	Par value	Percentage of equity held
Asian Champion Limited	Investment	Liberia	2	US\$1,000	100
Brilliant Valley Investment Limited	Investment	Liberia	1	Nil	100
Dragon Phoenix Land Investment Limited	Real Estate	Hong Kong	1,000	HK\$10	100
Forerunner Investments Limited	Investment	Hong Kong	3,000,000	HK\$1	60
Fortune Far East Limited	Investment	Liberia	1	US\$1,000	100
Future Star Company Limited	Investment	British Virgin Islands	1	US\$1	100

## Notes to the Financial Statements

For the year ended 31 March 2006

**30. LIST OF MAJOR SUBSIDIARIES** (continued)

Name of company	Main activity	Country of incorporation	No. of issued shares	Par value	Percentage of equity held
Gamolon Investments Limited	Real Estate	Hong Kong	100	HK\$10	100
Glory East Limited	Real Estate	Liberia	1	Nil	100
Golden Mile Limited	Real Estate	Liberia	1	Nil	100
Grand Prospect Enterprises Limited	Investment	Hong Kong	1,000	HK\$1	100
Green Harmony Global Co., Ltd	Investment	British Virgin Islands	1	US\$1	100
Long Growth Investments Limited	Real Estate	British Virgin Islands	1	US\$1	100
Nice Fortune Limited	Real Estate	Hong Kong	1	HK\$1	100
Pearl River Investment Limited	Investment	Liberia	1	Nil	100
PGG Development Company Limited	Investment	Hong Kong	70,000	HK\$10	100
PGG Asset Management Limited	Asset management	Hong Kong	1	US\$1	100
Pine International Limited	Investment	British Virgin Islands	1	HK\$1	100
Pioneer Estates Limited	Real Estate	Hong Kong	100	HK\$10	100
Pioneer iConcepts Limited	Computer Consultancy Services	Hong Kong	36,363,636	HK\$1	55
Pioneer Industries (Holdings) Limited	Investment	Hong Kong	150,794,424	HK\$0.50	100
Supreme Success Limited	Real Estate	Hong Kong	1	HK\$1	100
Wealth Instrument Inc.	Investment	British Virgin Islands	1	US\$1	100



# Notes to the Financial Statements

For the year ended 31 March 2006

## 31. FINANCIAL RISKS

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and interest rate risk.

### (a) Market risk

#### (i) Currency risk

As at 31 March 2006, the Group's investment classified as financial assets consisted of foreign listed securities amounted to HK\$20,208,000, the value of which fluctuates because of changes in foreign exchange rates.

#### (ii) Price risk

As at 31 March 2006, the Group had the following investments, the value of which fluctuates as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all financial instruments traded in the market.

	<i>HK\$'000</i>
Available for sale investments	170,264
Financial assets	20,426

### (b) Credit risk

The Group has no significant concentrations of credit risk. Cash transactions are limited to high-credit-quality financial institutions.

### (c) Liquidity risk

The Group maintains flexibility in funding by keeping committed credit lines available from high-credit-quality financial institutions.

### (d) Interest rate risk

The Group has no significant interest-bearing assets. The Group's interest-rate risk arises from bank borrowings. Borrowings granted at variable rates expose the Group to interest rate risk.

## 32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 22 to 60 have been approved by the Board of Directors on 11 July 2006.