



Stock code : 00224

PIONEER GLOBAL GROUP LIMITED
建 生 國 際 集 團 有 限 公 司

Interim Report

2006



PIONEER GLOBAL GROUP LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Rossana WANG GAW, *Chairman*
 Goodwin GAW, *Vice Chairman*
 Kenneth GAW, *Managing Director*
 Jane Kwai Ying TSUI

Independent Non-executive Directors

Dr. Charles Wai Bun CHEUNG, JP
 The Hon. Bernard Charnwut CHAN
 Arnold Tin Chee IP

AUDIT COMMITTEE

Dr. Charles Wai Bun CHEUNG, JP
 The Hon. Bernard Charnwut CHAN
 Arnold Tin Chee IP

COMPANY SECRETARY

Jane Kwai Ying TSUI

BANKERS

Bangkok Bank Public Company Limited
 Chiyu Banking Corporation Limited
 Citigroup
 Public Bank (Hong Kong) Limited
 Standard Chartered Bank (Hong Kong)
 Limited
 The Hongkong & Shanghai Banking
 Corporation Limited

SOLICITORS

K.C. Yung & Co.
 Morrison & Foerster

AUDITORS

Wong Brothers & Co

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

PRINCIPAL OFFICE IN HONG KONG

Suites 08-11
 18th Floor, Great Eagle Centre
 23 Harbour Road
 Wanchai, Hong Kong

SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

Butterfield Fund Services (Bermuda)
 Limited
 Rosebank Centre, 11 Bermudiana Road
 Pembroke, Bermuda

SHARE REGISTRARS & TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
 Services Limited
 46th Floor, Hopewell Centre
 183 Queen's Road East
 Hong Kong

INFORMATION

<http://www.pioneerglobalgroup.com>
 Bloomberg: 224:HK
 Reuters: 0224.hk

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
	Note	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000 (Restated)
Turnover			
Company and subsidiaries		24,051	28,634
Share of listed associate		–	30,103
Share of unlisted associates		11,665	15,122
		35,716	73,859
Turnover of Company and subsidiaries	2	24,051	28,634
Properties operating expenses		(6,162)	(4,938)
Staff costs		(4,780)	(4,996)
Depreciation and amortisation		(1,645)	(226)
Other expenses		(2,299)	(3,135)
		(14,886)	(13,295)
Operating profit	2	9,165	15,339
Share of profits of associates			
Listed		–	111
Unlisted		44,603	19,364
Change in fair value of investment properties		25,633	57,854
Other gains and losses	3	9,700	(2,280)
Finance costs		(4,776)	(4,398)
Profit before taxation		84,325	85,990
Taxation			
– current	4	(264)	442
– deferred	4	(4,846)	(10,311)
Profit for the period		79,215	76,121
Attributable to:			
Minority interests		707	405
Shareholders of the Company		78,508	75,716
		79,215	76,121
Interim dividend	5	3,847	3,847
		HK cents	HK cents
Earnings per share	6	10.20	9.84

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
ASSETS			
Non-current assets			
Investment properties		518,933	393,300
Associates (unlisted)		402,518	356,273
Investments – available for sale investments		348,350	274,777
Property, plant and equipment		23,143	23,612
Leasehold land		11,240	11,358
Other assets		1,323	1,458
		1,305,507	1,060,778
Current assets			
Debtors, advances and prepayments		5,848	68,594
Investments – financial assets at fair value		4,982	20,426
Cash and bank balances		21,764	25,559
		32,594	114,579
Total assets		1,338,101	1,175,357
EQUITY			
Share capital	7	76,935	76,935
Reserves		969,510	838,119
Shareholders' fund		1,046,445	915,054
Minority interests		17,011	16,409
Total equity		1,063,456	931,463
LIABILITIES			
Non-current liabilities			
Secured bank loans		100,200	100,200
Deferred taxation		52,924	42,427
		153,124	142,627
Current liabilities			
Creditors and accruals		18,082	12,315
Secured bank loans		103,401	87,921
Taxation		38	1,031
		121,521	101,267
Total liabilities		274,645	243,894
Total equity and liabilities		1,338,101	1,175,357

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000 (Restated)
Net cash inflow from operating activities	8,834	23,708
Net cash used in investing activities	(21,409)	(19,055)
Net cash generated from/(used in) financing activities	10,161	(15,840)
Decrease in cash and cash equivalents	(2,414)	(11,187)
Cash and cash equivalents at 1 April	25,559	46,258
Reclassification of a subsidiary to other assets	(1,380)	–
Effect of foreign exchange rate changes	(1)	(15)
Cash and cash equivalents at 30 September	21,764	35,056
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks up to three months' maturity	21,764	35,056

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve & contributed surplus HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2006	76,935	307,687	41,242	6,781	-	164,030	318,379	915,054	16,409	931,463
Fair value change of available for sale investments										
- subsidiaries	-	-	-	-	-	35,453	-	35,453	-	35,453
- minority interests	-	-	-	-	-	-	-	-	937	937
- associates	-	-	-	-	-	15,263	-	15,263	-	15,263
Exchange on translation of										
- subsidiaries	-	-	-	468	-	-	-	468	-	468
- associates	-	-	-	1,699	-	-	-	1,699	-	1,699
Net income recognised directly in equity	-	-	-	2,167	-	50,716	-	52,883	937	53,820
Reclassification of a subsidiary to other assets	-	-	-	-	-	-	-	-	(346)	(346)
Profit attributable to equity holders	-	-	-	-	-	-	78,508	78,508	707	79,215
Total recognised income and expense for the period	-	-	-	2,167	-	50,716	78,508	131,391	1,298	132,689
Distribution to minority interests	-	-	-	-	-	-	-	-	(696)	(696)
As at 30 September 2006	76,935	307,687	41,242	8,948	-	214,746	396,887	1,046,445	17,011	1,063,456
At 1 April 2005										
As originally stated	76,935	307,687	52,783	9,562	209,928	-	8,333	665,228	1,481	666,709
Opening balance adjustments arising from changes in accounting policies	-	-	-	-	(209,928)	-	209,928	-	-	-
As restated at 1 April 2005	76,935	307,687	52,783	9,562	-	-	218,261	665,228	1,481	666,709
Fair value change of available for sale investments	-	-	-	-	-	(26,067)	-	(26,067)	-	(26,067)
Exchange on translation of										
- subsidiaries	-	-	-	(689)	-	-	-	(689)	-	(689)
- associates	-	-	-	(3,087)	-	-	-	(3,087)	-	(3,087)
Net income recognised directly in equity	-	-	-	(3,776)	-	(26,067)	-	(29,843)	-	(29,843)
Profit attributable to equity holders (restated)	-	-	-	-	-	-	75,716	75,716	405	76,121
Total recognised income and expense for the period	-	-	-	(3,776)	-	(26,067)	75,716	45,873	405	46,278
Distribution to minority interests	-	-	-	-	-	-	-	-	(504)	(504)
2005 final dividend	-	-	(7,694)	-	-	-	-	(7,694)	-	(7,694)
As at 30 September 2005	76,935	307,687	45,089	5,786	-	(26,067)	293,977	703,407	1,382	704,789

NOTES

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies used in the preparation of interim financial statements are consistent with those set out in the annual financial statements for the year ended 31 March 2006, except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for periods beginning on or after 1 January 2006. Such adoption did not result in material changes to the Group’s accounting policies.

The 2005 comparative figures have been restated and classified to conform to the HKFRSs and HKASs adopted for the year ended 31 March 2006.

2. SEGMENT INFORMATION

Segment information is presented in respect of the Group primary business segment.

	For the period ended 30 September					
	Property and Hotel		Investments and Others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
Segment turnover						
Company and subsidiaries	16,734	22,051	7,317	6,583	24,051	28,634
Segment result	2,748	10,343	6,886	5,837	9,634	16,180
Unallocated corporate expenses					(469)	(841)
Operating profit					9,165	15,339
Share of profits of associates						
– Listed	–	–	–	111	–	111
– Unlisted	44,603	19,364	–	–	44,603	19,364
Change in fair value of investment properties	25,633	57,854	–	–	25,633	57,854
Other gains and losses	9,079	(147)	621	(2,133)	9,700	(2,280)
Finance costs					(4,776)	(4,398)
Taxation					(5,110)	(9,869)
Minority interests					(707)	(405)
					78,508	75,716

3. OTHER GAINS AND LOSSES

	2006 HK\$'000	2005 HK\$'000
Change in fair value of financial assets	661	(2,133)
Negative goodwill recognised	9,079	–
Others	(40)	(147)
	9,700	(2,280)

4. TAXATION

	Current taxation HK\$'000	2006 Deferred taxation HK\$'000	Total HK\$'000	Current taxation HK\$'000	2005 Deferred taxation HK\$'000 (Restated)	Total HK\$'000
The Company and its subsidiaries						
Hong Kong	209	4,846	5,055	(461)	10,370	9,909
Overseas	55	–	55	19	(59)	(40)
	264	4,846	5,110	(442)	10,311	9,869

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated Hong Kong source assessable profits for the period. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.

5. INTERIM DIVIDEND

The Board of Directors declares an interim dividend of HK0.50 cent per share (2005: HK0.50 cent), totaling HK\$3,847,000 for the six months ended 30 September 2006 (2005: HK\$3,847,000) to shareholders whose names appear on the register of members of the Company at the close of business on 8 February 2007. This amount is not included as a liability in these interim financial statements.

6. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$78,508,000 (2005: restated profit of HK\$75,716,000) and on 769,359,104 shares in issue during both periods of 2005 and 2006.

No diluted earnings per share have been presented for the periods ended 30 September 2006 and 30 September 2005 as the exercise prices of the share options granted by the Company were higher than the fair value per share at the balance sheet date.

7. SHARE CAPITAL

	No. of Shares of HK\$0.10 each	HK\$'000
Authorised		
At 30 September 2006 and 31 March 2006	2,000,000,000	200,000
Issued and fully paid		
At 30 September 2006 and 31 March 2006	769,359,104	76,935

8. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Guarantees		
– on utility deposits	486	486
Commitments		
– for total future minimum lease payments		
– not later than one year	3,251	5,493
– later than one year and not later than five years	1,322	2,919

9. EVENT AFTER BALANCE SHEET DATE

In October 2006, the Group received from Asia Financial Holdings Ltd (“AFH”) a special dividend of HK\$51.4 million. AFH is a financial institution listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Group has held about 4.1% shareholding of AFH.

INTERIM DIVIDEND

The Board of Directors recommends the payment of an interim dividend for the six months ended 30 September 2006 at the rate of HK0.50 cent per share (2005: HK0.50 cent), payable on 13 February 2007 to all persons registered as shareholders on 8 February 2007. The transfer books and register of members of the Company will be closed from 5 February 2007 to 8 February 2007, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 2 February 2007.

BUSINESS REVIEW

I am pleased to report that net profit for the Group during the six months period ended 30 September 2006 increased by 4% to HK\$79.2 million (2005 (restated): HK\$76.1 million). The investment properties owned by the Group or through its associates have continued to enjoy a healthy increase in asset value.

During the previous reporting period, the Group sold its stake in listed associate Siam Food Products and disposed all properties of Global Gateway. As a result, turnover of the Group and its share of associates for the period decreased to HK\$35.7 million (2005: HK\$73.8 million).

Property investments

During the six months period ended 30 September 2006, the Pioneer Building contributed rental revenues of HK\$9.4 million (2005: HK\$9.3 million) while continuing to enjoy a high occupancy rate of 94% as at the end of the period. In addition, the Pioneer Building also contributed a gain of HK\$24.0 million from increase in fair value.

The Shanghai K. Wah Centre has also performed well, with close to full occupancy as at the end of this reporting period. During the period, this project contributed HK\$32.3 million (2005: HK\$1.1 million) to the Group as an associate company. The increase was mainly attributable to the increase in fair value of Shanghai K. Wah Centre.

The Group has a joint venture with Morgan Stanley Real Estate Funds and PamFleet Investments Limited, which owns the 217,625 sq.ft. 68 Yee Woo Street in Causeway Bay and the 640,000 sq.ft. Kowloon City Plaza (“KCP”) in Kowloon City. During the year, KCP underwent a major refurbishment program, which was completed in November 2006. As at the end of the period, occupancy rates at KCP and 68 Yee Woo Street were 60% and 80% respectively.

In March and April 2005, the Group purchased a total of 63,840 sq.ft. in Maximall, City Garden, North Point from three different vendors for a total consideration of HK\$117.7 million. Revenues from this asset was HK\$2.5 million for the period.

The AIA Tower Macau is a 437,000 sq.ft. commercial building held by a joint venture between the Group, Morgan Stanley Real Estate Funds and Wachovia Development Corporation. The renovation program for the building was completed as planned in the second quarter of 2006. In addition to the anchor tenant AIA, other tenants including GE Medical and Emperor Group have already moved into the building. And 3 large F&B operators have also signed on as tenants, one of which will be the first roof-top restaurant and bar in Macau. For the period, this project contributed HK\$9.8 million to the Group as an associate company.

In May 2006, the Group purchased strata units of total GFA 29,540 sq.ft. in Morrison Plaza at Wanchai, Hong Kong. At acquisition, the valuation of this property was HK\$100.0 million while our purchase costs were about HK\$85.3 million. Upon the acquisition of the property holding company, we reported a gain of negative goodwill of about HK\$9.1 million. Subsequently, we entered into a contract to dispose 2 vacant units of GFA 8,560 sq.ft. for HK\$33.0 million. The transaction will be completed in mid-December 2006 and the sale will have a net gain before tax of about HK\$7.0 million. Moreover, the average rental rate of the units upon renewal has gone up from HK\$8.0 per sq.ft. to HK\$13.6 per sq.ft.

In August 2005, the Group became a strategic partner in Gateway China Fund I, a US\$198.9 million real estate fund focused on China, Hong Kong, and Macau. Under the partnership agreement, the Group shall receive a fixed dividend per annum from the Fund and receive a share of the incentive fees paid by the Fund to the Fund’s manager Gateway Capital. Separately through a 50% owned associate company, the Group has also committed US\$5.0 million of capital to the Fund, which represents approximately 2.5% of the Fund’s capital. As at the reporting period, the Fund has committed approximately 77% of its capital.

Investments in hotel industry

During the six months period ended 30 September 2006, the Aisawan Resort & Spa in Pattaya, Thailand produced revenues of Baht 101.1 million (2005: Baht 99.7 million) and gross operating profits of Baht 39.4 million (2005: Baht 41.3 million). While the performance of the Aisawan Resort during the period was roughly the same as the previous year, the numbers do not show the strength of the resort's performance or the Pattaya market. In fact, these numbers were achieved despite the closure of the entire garden villa wing (consisting of about 25% of total rooms) to major refurbishment and construction of three new swimming pools during the months of May to September. All of the refurbishment works were completed and the garden villa wing was reopened under the name "Pool Lanai" by the end of October. We expect that Aisawan Resort & Spa and the Pattaya market in general will enjoy a strong high season this winter. Through an associate company, Aisawan Resort & Spa contributed HK\$1.4 million to the Group during the period (2005: HK\$1.6 million).

The Group's associate company, Pioneer iNetwork Limited owns 10.3% of Dusit Thani Public Company Limited ("Dusit Thani"), the leading owner and operator of hotels in Thailand. During the nine months ended 30 September 2006, Dusit Thani had revenues of Baht 2.4 billion (2005: Baht 2.0 billion) and net income of Baht 143.7 million (2005: Baht 154.2 million). While Thailand's leading beach resorts such as Pattaya, Hua Hin, and Phuket generally were unaffected by the September military coup in Bangkok, the company's flagship Dusit Thani hotel in Bangkok did suffer cancellations from business and leisure travelers in the immediate aftermath of the coup. However, business has returned to normal since then and we expect a strong winter season for Dusit Thani's hotels in Thailand.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 September 2006, the Group continued to enjoy a strong financial position, maintaining substantial unutilized bank facilities. At the balance sheet date, the Group's total debt to shareholders' fund ratio was 26% (March 2006: 27%) and net debt (net of cash and cash equivalents) to shareholders' fund ratio was 17% (March 2006: 18%).

PROSPECTS

In October 2006, the Group received from AFH a special dividend of HK\$51.4 million through its 4.1% shareholding in the company. The special dividend is a result of the sale by AFH of its wholly owned subsidiary Asia Commercial Bank. This special dividend will be booked in the Group's full year results.

The Group plans to enhance its existing portfolio of assets while continuing to look selectively for attractive real estate and hotels investments in the region.

EMPLOYEES

As at 30 September 2006, the number of salaried staff not including associates was 18. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2006, the following Directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Long position in shares of the Company

	Personal interests	Interests held by controlled corporation	Interests held by family trust	Total	Percentage of issued share capital
Rossana Wang Gaw	–	15,934,364 ¹	123,148,701 ³	139,083,065	18.08
Kenneth Gaw	1,805,527	8,453,375 ²	27,537,243 ⁴	37,796,145	4.91
Jane Kwai Ying Tsui	600,750	–	–	600,750	0.08

1 Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.

2 Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,453,375 shares.

3 Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.

4 Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 27,537,243 shares.

Long position in underlying shares of the Company

	Number of share options	Exercise price (HK\$)	Date of grant	Exercise period
Rossana Wang Gaw	8,389,277	1.5405	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,336,847	1.8897	24/10/96	24/10/96 to 23/10/06
	2,336,846	1.5405	06/03/97	06/03/97 to 05/03/07

Long position in shares of associated companies

Name of company	Name of director	No. of shares held by controlled corporation	Percentage of issued share capital
Grandsworth Pte. Ltd.	Rossana Wang Gaw	1*	50.0
Grandsworth Pte. Ltd.	Kenneth Gaw	1*	50.0
Pioneer Hospitality Siam (GBR) Ltd.	Rossana Wang Gaw	475,000*	47.5
Pioneer Hospitality Siam (GBR) Ltd.	Kenneth Gaw	475,000*	47.5
Keencity Properties Ltd.	Rossana Wang Gaw	4,721,034*	47.5
Keencity Properties Ltd.	Kenneth Gaw	4,721,034*	47.5
Pioneer iNetwork Ltd.	Rossana Wang Gaw	1*	50.0
Pioneer iNetwork Ltd.	Kenneth Gaw	1*	50.0

* Interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO.

Save as disclosed above, as at 30 September 2006, none of the Directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SHAREHOLDERS' INTERESTS

As at 30 September 2006, so far as the Directors were aware, the following persons (other than a director or chief executive of the Company) who had interests or long or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Long position of shareholders in shares of the Company

Name of shareholder	Number of shares	Percentage of issued share capital
Asset-Plus Investments Ltd.	68,076,076	8.85
Forward Investments Inc.	181,388,105	23.58
Intercontinental Enterprises Corporation	123,148,701	16.01
Prosperous Island Limited	65,939,293	8.57

Long position of other persons in the shares of the Company

	Interests held by controlled corporation	Interests held by family trust	Total	Percentage of issued share capital
Rossana Wang Gaw	15,934,364 ¹	123,148,701 ²	139,083,065	18.08

- 1 Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.
- 2 Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.

Save as disclosed above, the Directors were not aware of any other persons (other than a director or chief executive of the Company) who, as at 30 September 2006, had interests or long or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months period ended 30 September 2006, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors, including Dr. Charles Wai Bun Cheung, JP, The Hon. Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip. The Committee has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2006 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

CORPORATE GOVERNANCE

During the six months period ended 30 September 2006, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and

Code provision A.4.2 also provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board of Directors has no specific term of office but are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-Laws. According to the Bye-Laws of the Company, at every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. The Directors to retire on each occasion shall be those who have been longest in office since their last election. Accordingly, no Director has a term of appointment longer than three years.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the period ended 30 September 2006.

By Order of the Board

Kenneth Gaw

Managing Director

Hong Kong, 12 December 2006