



PIONEER GLOBAL GROUP LIMITED
建生國際集團有限公司

Stock Code 股份代號 : 00224

Annual Report 2006/2007 年報



PIONEER GLOBAL GROUP LIMITED

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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

Arnold Tin Chee IP

Stephen TAN

AUDIT COMMITTEE

Dr. Charles Wai Bun CHEUNG, JP, *Chairman*

Arnold Tin Chee IP

Stephen TAN

REMUNERATION COMMITTEE

Arnold Tin Chee IP, *Chairman*

Dr. Charles Wai Bun CHEUNG, JP

Stephen TAN

Kenneth GAW

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 and 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

www.pioneerglobalgroup.com

www.irasia.com/listco/hk/pioneer/index.htm

Bloomberg: 224:HK

Reuters: 0224.hk

Managing Director's Report

BUSINESS REVIEW

Total turnover for the Group (including share of associates) for the year ended 31 March 2007 was HK\$132.3 million, compared to HK\$142.1 million in 2006. The 6.9% decrease was due mainly to the disposal of the Group's interest in Siam Food Products Public Company Limited ("Siam Food") at the end of the previous fiscal year and as a result we will no longer include turnover from Siam Food as an associated company. But the loss of turnover from Siam Food is partially made up by the HK\$51.4 million special dividend contribution from the Group's interest in Asia Financial Holdings Ltd. ("AFH").

For the 12 months period ended 31 March 2007, net profit for the Group was HK\$190.2 million, a 46.4% gain from the same period in 2006. The large increase in profit was due mainly to the above mentioned special dividend contribution from AFH, continued increase in fair value of investment properties, as well as strong performance of the Group's businesses such as the Aisawan Resort & Spa.



Front View, Aisawan Resort & Spa,
Pattaya

Property Investments

The Pioneer Building at Kwun Tong, Kowloon contributed rental revenues of HK\$18.6 million (2006: HK\$19.3 million) while continuing to enjoy a high occupancy rate of 94% as at the end of the period. In addition, the property contributed HK\$26.0 million in fair value increase from revaluation (2006: HK\$54.0 million).



Morrison Plaza, Wanchai

In May 2006, the Group purchased a company which owns strata units of total GFA 29,540 sq.ft. in Morrison Plaza in Wanchai, Hong Kong. Subsequently, the Group disposed of 2 vacant units of GFA 8,560 sq.ft. and 2 carparks for HK\$33.8 million. The acquisition together with the disposal recorded a gain of HK\$10.6 million (including negative goodwill). Since the Group took over the property, the average rental rate of the units has increased by 79% to HK\$14.3 per sq.ft.

The Group owns a total of 63,840 sq.ft. in Maximall, City Garden, North Point. Revenues from this asset were HK\$5.8 million for the period.

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. KCP in Kowloon City. The renovation of KCP was completed in November 2006 and both properties are being leased satisfactorily.

Managing Director's Report

As reported previously, the Group entered into a joint venture with Morgan Stanley Real Estate Funds and Wachovia Development Corporation to acquire a 22-storey, 437,000 sq.ft. commercial building in Macau. The renovation program for the building was completed as planned in the second quarter of 2006 and the building has been renamed AIA Tower Macau, with U.S. insurance company AIA as the anchor tenant. For the period, this project contributed HK\$16.6 million to the Group as an associated company mainly due to increase in property valuation to HK\$956.0 million, about 59% increase compared to its acquisition cost.



New Facade, KCP, Kowloon City

As an associated company, the Shanghai K. Wah Centre contributed HK\$60.9 million in profits to the Group, out of which HK\$72.0 million was from fair value increase in property value. The property has also performed well by achieving full occupancy.

The Group is a strategic partner in Gateway China Fund I (the "Fund"), a US\$198.9 million real estate fund focused on China, Hong Kong and Macau. Separately through a 50% owned associated 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 84% of its capital.



Roof Top Restaurant, AIA Tower, Macau



Office Lift Lobby, AIA Tower, Macau



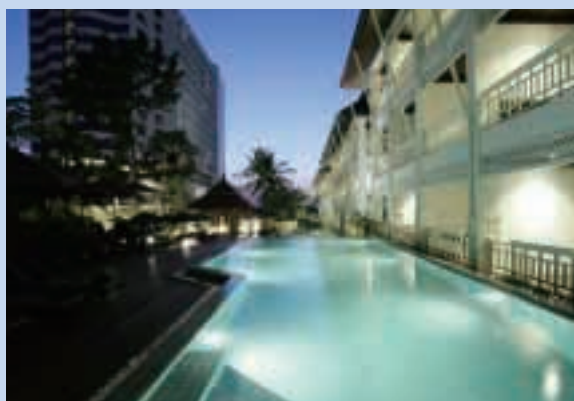
Front View, AIA Tower, Macau

Managing Director's Report

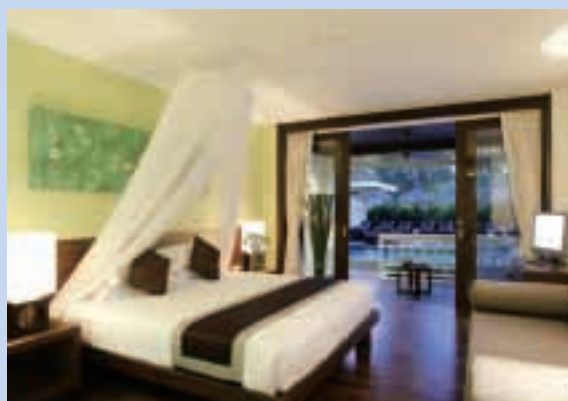
During the reporting period, the Group has acquired 8.8% of Japan Opportunities Fund Limited (“JOF”) for US\$2.6 million. JOF was established in 2002 to invest in a portfolio of residential buildings in regional cities in Japan. On 31 December 2006, the portfolio consisted of 23 rental properties in Sapporo and Fukuoka with a total valuation of Japanese Yen 7.6 billion conducted by independent appraisers.

Investments in Hotel Industry

For the year ended 31 December 2006, the Aisawan Resort & Spa in Pattaya, Thailand had revenues of Baht 300.9 million, compared to Baht 251.8 million in 2005. Gross operating profits for the same period was Baht 164.9 million (2005: Baht 128.6 million). The strong growth was 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 in 2006. The renovated garden villa wing was reopened under the name “Pool Lanai” by the end of October 2006. During the strong high season, January to March 2007, when the resort was in full operation, the revenue grew by 26% and the gross operating profits showed an increase of 36% year on year to Baht 94.2 million. Through an associated company, Aisawan Resort & Spa contributed HK\$13.9 million to the Group during the period (2006: HK\$10.9 million).



Pool Lanai Exterior, Aisawan Resort & Spa,
Pattaya



Pool Lanai Room, Aisawan Resort & Spa,
Pattaya

The Group's associated 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 12 months ended 31 December 2006, Dusit Thani had revenues of Baht 3.22 billion (2005: Baht 2.83 billion) and net income of Baht 221.2 million (2005: Baht 245.1 million). The increase in revenues was due mainly to positive business growth and the completion of renovation programs at most of the company's hotels (with the exception of the Manila property) while the decrease in net income was attributed to higher loan interest and income tax for the year 2006.

Managing Director's Report

Other Investments

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 was a result of the sale by AFH of its wholly owned subsidiary Asia Commercial Bank in May 2006.

PROSPECTS

The performance of the Aisawan Resort & Spa in the first quarter of 2007 has been strong, with revenue rising 26% year on year and gross operating profits rising 36%. However, the development of the Northpoint condominium project immediately adjacent to the resort commenced in April 2007, which unfortunately will result in significant disturbance to resort guests. In addition, the strength of the Thai Baht (16.7% gain against US dollar during the period) and the instability of Thailand's political situation following the military led coup in September 2006 have led to a slow down in resorts business in Thailand since the end of the tourism high season in March. As such, we believe that the pace of growth for the resort will be slower for the remainder of the year. On the other hand, we continue to be optimistic about the hospitality business in Thailand and believe that these negative macro factors may provide good investment opportunities in the sector.

In the coming year, the Group continues to pursue attractive investment opportunities in the property and hotel sectors in the region.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2007, 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 12.7% (31 March 2006: 20.6%) and the net debt (net of cash and cash equivalents) to shareholders fund ratio was 11.4% (31 March 2006: 17.8%).

EMPLOYEES

As at 31 March 2007, the number of salaried staff at the holding company level was 19 (2006: 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.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all the employees for their contributions.

Kenneth Gaw

Managing Director

Hong Kong, 11 July 2007

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shown in notes 12 and 29 to the financial statements. An analysis of the Group's turnover and contribution to results by principal activity of operations is set out in note 2 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 22.

An interim dividend of HK0.50 cent per share, totalling HK\$3,847,000 which was paid on 13 February 2007.

The Directors recommend the payment of a final dividend for the year ended 31 March 2007 at the rate of HK1.50 cents (2006: HK1.20 cents) per share, payable on 9 October 2007 to all persons registered as shareholders on 7 September 2007. The transfer of books and register of members of the Company will be closed from 4 September 2007 to 7 September 2007, both days inclusive. Payment of the final dividend is conditional upon the passing of an ordinary resolution at the forthcoming annual general meeting.

In order to qualify for the final 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 4:30 p.m. on Monday, 3 September 2007.

SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in notes 18 and 19 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 60.

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 to the financial statements.

Directors' Report

MAJOR SUBSIDIARIES

Details of the major subsidiary companies as at 31 March 2007 are set out in note 29 to the financial statements.

LOANS AND BORROWINGS

Details of loans and borrowings are set out in note 20 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 29% of the Group's turnover, the largest trade customer accounting for 7%. The five largest suppliers of goods and services accounted for 36% of the Group's expenditure on goods and services, the largest supplier of goods and services accounting for 15%.

DONATIONS

During the year, the Group has made charitable donations amounting to HK\$55,000 (2006: HK\$10,000).

DIRECTORS

The Directors in office during the year and up to the date of this report were:

Executive Directors

Rossana WANG GAW

Goodwin GAW

Kenneth GAW

Jane Kwai Ying TSUI

Independent Non-executive Directors

Dr. Charles Wai Bun CHEUNG, JP

Arnold Tin Chee IP

Stephen TAN (appointed on 1 April 2007)

The Hon. Bernard Charnwut CHAN (resigned on 1 April 2007)

In accordance with Bye-Laws 82 & 83, Mrs. Rossana Wang Gaw and Dr. Charles Wai Bun Cheung, JP will retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Bye-Law 77, Mr. Stephen Tan who was appointed as independent non-executive director of the Company on 1 April 2007 will hold office until the forthcoming annual general meeting and being eligible for re-election.

None of directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

Directors' Report

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2007, 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 of Hong Kong Limited (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	%
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 Top Elite Company 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

Directors' Report

Long position in shares of associated companies

Name of company	Name of director	Number of shares held by controlled corporation	%
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 31 March 2007, 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 the 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 31 March 2007, 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 positions of shareholders in shares of the Company

Name of shareholder	Number of shares	%
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

Directors' Report

Long positions of other persons in the shares of the Company

	Interests held by controlled corporation	Interests held by family trust	Total	%
Rossana Wang Gaw	15,934,364 ¹ (L)	123,148,701 ² (L)	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.

L: Long position in 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 31 March 2007, 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") was valid and effective until 5 March 2007. As at 31 March 2007, there was no outstanding options to subscribe for the shares of the Company.

Apart from the Scheme, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the year.

Directors' Report

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company was incorporated.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 15 to 19.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 28 to the financial statements.

AUDITORS

Wong Brothers & Co were first appointed auditors of the Company in 2006 to fill the casual vacancy left by the resignation of Fan Mitchell & Co.

The financial statements for the year ended 31 March 2007 have been audited by Wong Brothers & Co who retire and being eligible offer themselves for re-appointment. A resolution for the re-appointment of Wong Brothers & Co as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Rossana Wang Gaw

Chairman

Hong Kong, 11 July 2007

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mrs. Rossana WANG GAW (Chairman)

Aged 61, was appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is the Managing Director of Pioneer Estates Limited. She is responsible for the management of the real estate sector in the Group. Mrs. Gaw has 8 years of experience in the garment manufacturing industry and over 20 years of experience in real estate investments. Mrs. Gaw is a graduate of the University of California, Berkeley, and holds a Degree in Business Administration.

Mr. Goodwin GAW (Vice-Chairman)

Aged 38, was appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. He is currently an independent non-executive director of Tian An China Investments Company Limited which is listed on the main board of the Stock Exchange and the Chairman of Gateway Capital, a real estate private equity fund focusing on China, Hong Kong and Macau real estate markets. He is also the President of Downtown Properties Holdings, a private real estate investment company with commercial properties interest in the United States. Mr. Gaw graduated with a Bachelor of Science Degree in Civil Engineering from the University of Pennsylvania, a Finance Degree from Wharton Business School and a Master of Science Degree in Construction Management from Stanford University. He is the son of Mrs. Rossana Wang Gaw.

Mr. Kenneth GAW (Managing Director)

Aged 36, was appointed to the Board in 1994 and became Managing Director of the Group in February 1999. He holds directorships at Dusit Thani Public Company Limited, Japan Opportunities Funds I and II, Home Inns & Hotels Management Inc., and Hong Kong-Thailand Business Council. He was a director of Siam Food Products Public Company Limited until 2006 and was a director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until the company was privatized in July 2000. Mr. Gaw co-founded Gateway Capital, a real estate private equity fund focusing on China, Hong Kong and Macau real estate markets, in July 2005. He graduated with a Bachelor of Science Degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude). Before joining the Group, Mr. Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance with Goldman Sachs (Asia) Limited in Hong Kong. He is the son of Mrs. Rossana Wang Gaw.

Ms. Jane Kwai Ying TSUI (Company Secretary)

Aged 63, was appointed to the Board in 1984. She is responsible for the day-to-day operation of the Group, including general administration. She is also responsible for all company secretarial matters of the Group. Ms. Tsui previously worked in the banking sector for about 3 years before joining the Group in 1980.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Charles Wai Bun CHEUNG, JP

Aged 70, was appointed to the Board in 1986. He is the Chairman of the Audit Committee of the Company. Dr. Cheung holds an Honorary Doctor's Degree, a Master's Degree and a Bachelor of Science Degree in Business Administration. He has over 30 years experience in the senior management of companies in various industries including over 22 years experience of banking business in senior management positions. He is also an independent non-executive director and chairman of audit committee of K. Wah International Holdings Limited, Galaxy Entertainment Group Limited, Shanghai Electric Group Company Limited and Prime Investments Holdings Limited which are listed on the main board of the Stock Exchange. Dr. Cheung is also a Senior Adviser to the Board of the Metropolitan Bank & Trust Company, Philippines. He is a council member of The Hong Kong Institute of Directors. Dr. Cheung was a former director and adviser of Tung Wah Group of Hospitals and he is a Vice Chairman of Guangdong Province Golf Association. He was awarded the Directors of the year Awards 2002 of Listed Company Non-Executive Director.

Mr. Stephen TAN

Aged 53, was appointed to the Board on 1 April 2007. He was educated in the United States and holds a Bachelor's Degree in Business Administration at Rutgers University, and a Master Degree in Business Administration at St. John's University. Mr. Tan is currently the executive director of Asia Financial Holdings Limited which is listed on the main board of the Stock Exchange. He also sits on the boards of Bank Consortium Trust Company Limited, Hong Kong Life Insurance Limited, The Chinese General Chamber of Commerce and Hong Kong Chiu Chow Chamber of Commerce. Mr. Tan serves as the Chairman of Bangkok Mercantile (Hong Kong) Company Limited and Vice-Chairman of the Chinese Entrepreneurs Organization. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a founding member of Hong Kong-Thailand Business Council, a trustee of Outward Bound Trust of Hong Kong and a trustee of Hong Kong Jockey Club Music and Dance Fund. Mr. Tan has also been appointed as a committee member of Shenzhen Municipal Committee of The Chinese People's Political Consultative Conference, an honorary advisor of the new Graduate School of Business of the Hong Kong Polytechnic University and an honorary advisor of Hong Kong Baseball Association.

Mr. Arnold Tin Chee IP

Aged 44, was appointed to the Board in 1999. He is the Chairman of the Remuneration Committee of the Company. Mr. Ip is a graduate of Trinity College, Cambridge University. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Between 1989 and March 1997, Mr. Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001 specializing in a broad range of corporate finance and advisory activities for companies based in Hong Kong and China.

Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. From 1984 to 1988, he worked at Arthur Andersen & Co in London specializing in taxation and qualified as a chartered accountant in 1988.

Corporate Governance Report

A review of the Company's corporate governance in the financial year is set out as follows:

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has duly adopted the principles of good governance provided by the Code on Corporate Governance Practices (the "CG Code") in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 31 March 2007, the Company has met the code provisions and some of the recommended best practices as set out in the Code except the following deviation:

Non-executive directors were not appointed for a specific term (CG Code A.4.1) during the period between 1 April 2006 and 12 December 2006. To comply fully with the CG Code, starting from 13 December 2006, each of the independent non-executive directors of the Company is appointed for a specific term and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws of the Company ("Bye-Laws").

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 year ended 31 March 2007.

BOARD OF DIRECTORS

The Board is responsible for managing and conducting business and affairs of the Company and its subsidiaries which includes determining the corporate objectives, business strategies and operational policies, controlling the operating and financial performance, setting appropriate policies to manage risks in pursuit of the Group's strategic objectives and ensuring the Group's operation are conducted in accordance with the framework of law and regulatory guidelines.

There is a clear division of responsibilities between the Board and the management. The Board has delegated the decisions on the Group's general operations to the management. The respective functions to the Board and the management have been formalized and set out in writing.

Corporate Governance Report

The Board currently comprises seven directors, including four Executive Directors and three Independent Non-executive Directors. The brief biographical details of the Directors and the relationship among them are set out on pages 13 to 14. The Independent Non-executive Directors possess appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. Their active participation in the Board and committee meetings brings an objective, independent voice that protects the minority interests. Pursuant to specific enquiries made with the Independent Non-executive Directors, all of them confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence.

The Board meets regularly, and at least four times a year, to review the business development and discuss any matters arising from corporate governance, risk management, accounting and financing. Additional meetings will be held upon the request of the members when they think necessary.

Every Director is entitled to have full access to information on the Group and may, in appropriate circumstances, take independent professional advice at the Company's expense. In respect of regular Board meetings, at least 14 days' notice is normally given to all Directors. Draft minutes of every Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval.

During the year, four Board meetings were held and attendance record of each Director is set out below:

Directors	Number of Board meetings attended	Attendance rate
Executive Directors		
Rossana Wang Gaw (<i>Chairman</i>)	4/4	100%
Goodwin Gaw (<i>Vice Chairman</i>)	4/4	100%
Kenneth Gaw (<i>Managing Director</i>)	4/4	100%
Jane Kwai Ying Tsui	4/4	100%
Independent Non-executive Directors		
Dr. Charles Wai Bun Cheung, JP	4/4	100%
The Hon. Bernard Charnwut Chan*	2/2	100%
Arnold Tin Chee Ip	4/4	100%
Stephen Tan*	2/2	100%

* The Hon. Bernard Charnwut Chan was resigned and Mr. Stephen Tan was appointed as Independent Non-executive director with effect from 1 April 2007.

CHAIRMAN AND MANAGING DIRECTOR

The role of the Chairman and the Managing Director of the Company is separate to reinforce their respective independence and accountability. The Chairman provides leadership to and oversees the effective functioning of the Board while the Managing Director heads the management and focuses on the day-to-day operation of the Group. During the year under review, the Chairman of the Company is Mrs. Rossana Wang Gaw whereas the Managing Director is Mr. Kenneth Gaw.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are appointed for a specific term starting from 13 December 2006 and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company does not have a Nomination Committee. The Board as a whole is responsible for ensuring all the directors and senior executives appointed are fit and proper persons and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors. In identifying and evaluating whether a candidate is suitable to act as a director of the Company, the Board will consider his professional knowledge, experience, skills as well as personal ethics, integrity and time commitment. All directors appointed by the Board are subject to election by Shareholders at the forthcoming general meeting.

During the year under review, the Board accepted and approved the resignation of The Hon. Bernard Charnwut Chan. After taking into consideration the evaluation criteria, the Board nominated and appointed Mr. Stephen Tan by written resolution as the Independent Non-executive Director for a fixed term of three years subject to retirement by rotation in accordance with the Bye-Laws.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee consisting of three Independent Non-executive Directors, including Mr. Arnold Tin Chee Ip (Chairman), Dr. Charles Wai Bun Cheung, JP, Mr. Stephen Tan and an Executive Director, Mr. Kenneth Gaw. The current terms of reference of the Remuneration Committee include duties set out in code provisions B.1.3 (a) to (f) of the Code. Under its terms of reference, the Remuneration Committee is responsible for making recommendations to the Board regarding the Group's remuneration policy and for the formulation and review of the remuneration packages of all the directors and senior executives.

During the year, two Remuneration Committee meetings were held and attendance record of each Director is set out as below:

Directors	Number of Remuneration Committee meetings attended	Attendance rate
Independent Non-executive Directors		
Arnold Tin Chee Ip (<i>Chairman</i>)	2/2	100%
Dr. Charles Wai Bun Cheung, JP	1/2	50%
The Hon. Bernard Charnwut Chan*	2/2	100%
Stephen Tan*	N/A	N/A
Executive Director		
Kenneth Gaw	2/2	100%

* The Hon. Bernard Charnwut Chan was resigned and Mr. Stephen Tan was appointed as the member of Remuneration Committee with effect from 1 April 2007.

Corporate Governance Report

In the meetings, the Remuneration Committee assessed the performance of the Executive Directors and approved the bonus for year 2006 to Executive Directors and senior management.

AUDIT COMMITTEE

The Audit Committee consists of three Independent Non-executive Directors, including Dr. Charles Wai Bun Cheung, JP (Chairman), Mr. Stephen Tan and Mr. Arnold Tin Chee Ip. The current terms of reference of the Audit Committee include duties set out in code provisions C.3.3 (a) to (n) of the Code. Under its terms of reference, the Audit Committee is responsible for reviewing the financial control, internal control system, annual report and account and half-year interim report of the Company. The Audit Committee may request a meeting if they think it is necessary.

During the year, two Audit Committee meetings were held and attendance record of each Director is set out as below:

Directors	Number of Audit Committee meetings attended	Attendance rate
Independent Non-executive Directors		
Dr. Charles Wai Bun Cheung, JP (<i>Chairman</i>)	2/2	100%
The Hon. Bernard Charnwut Chan*	1/1	100%
Arnold Tin Chee Ip	2/2	100%
Stephen Tan*	1/1	100%

* The Hon. Bernard Charnwut Chan was resigned and Mr. Stephen Tan was appointed as the member of Audit Committee with effect from 1 April 2007.

Throughout the year, the Audit Committee had performed the work as summarized below:

- (1) Reviewed the financial reports for the year ended 31 March 2007 and for the six months ended 30 September 2006.
- (2) Reviewed and discussed with the management and the external auditors the internal control system of the Company.

AUDITORS' REMUNERATION

During the year under review, the remuneration payable to the Company's external auditors, Wong Brothers & Co, are set out as follows:

Services rendered	Fee payable
Audit services	HK\$352,000
Non-audit services	HK\$30,000
	HK\$382,000

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that they are responsible for preparing the accounts. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The Auditors' reporting responsibilities are included in the Independent Auditors' Report on pages 20 to 21.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of internal control so as to ensure the shareholders' investment and the Company's assets are properly safeguarded. The system of internal control is designed to manage the risk of failure to achieve corporate objectives and can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

Pursuant to the risk-based approach, the management and external auditor identified the risks associated with and controls over various operations and activities, and reviewed and discussed with the Audit Committee their effectiveness and compliance during the year. The Board, through the review of the Audit Committee, is satisfied with the internal control system of the Group for the reporting period and considers that the Group's internal control system has implemented effectively. Proposals on further enhancement of the system of internal control of the Group, if required or necessary, are being implemented from time to time.

COMMUNICATION WITH SHAREHOLDERS

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. An annual general meeting circular is distributed to all shareholders at least 21 days prior to the annual general meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. Details on the procedures for voting by poll of the Company are set out in the shareholder circular convening the general meeting. When voting on resolutions requiring a poll, the Company engages external scrutineer to ensure proper counting of the votes.

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Investors and shareholders can also visit the Company's website (www.pioneerglobalgroup.com and www.irasia.com/listco/hk/pioneer/index.htm) for copies of relevant corporate and financial information.

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of

PIONEER GLOBAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pioneer Global Group Limited set out on pages 22 to 58, which comprise the consolidated and company balance sheets as at 31 March 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Wong Brothers & Co.

Certified Public Accountants

Hong Kong, 11 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Turnover			
Company and subsidiaries		96,112	45,853
Share of listed associate		–	63,656
Share of unlisted associates		36,210	32,641
		132,322	142,150
Turnover of Company and subsidiaries	3	96,112	45,853
Properties operating expenses		(11,498)	(11,180)
Staff costs		(9,486)	(12,308)
Depreciation & amortisation		(3,365)	(1,933)
Other expenses		(3,645)	(5,553)
		(27,994)	(30,974)
Operating profit		68,118	14,879
Share of profits of associates			
Listed		–	1,330
Unlisted		92,464	69,570
Change in fair value of investment properties	11	28,350	62,318
Other gains and losses	5	15,205	3,519
Finance costs		(8,406)	(8,774)
Profit before taxation	4	195,731	142,842
Taxation			
Current	6	(1,143)	(1,419)
Deferred	6	(4,424)	(11,505)
Profit for the year		190,164	129,918
Attributable to:			
Minority interests		703	399
Shareholders of the Company		189,461	129,519
		190,164	129,918
		HK cents	HK cents
Earnings per share	9	24.63	16.83

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Investment properties	11	489,600	393,300
Unlisted associates	12	481,815	356,273
Available for sale investments	13	358,853	274,777
Property, plant and equipment	11	22,509	23,612
Leasehold land	11	11,121	11,358
Other assets		1,447	1,458
		1,365,345	1,060,778
Current assets			
Debtors, advances & prepayments	14	8,312	68,594
Financial assets at fair value	15	5,392	20,426
Cash & bank balances	17	15,568	25,559
		29,272	114,579
Total assets		1,394,617	1,175,357
EQUITY			
Share capital	18	76,935	76,935
Reserves	19	1,087,513	838,119
Shareholders' funds		1,164,448	915,054
Minority interests		15,332	16,409
Total equity		1,179,780	931,463
LIABILITIES			
Non-current liabilities			
Secured bank loans	20	39,100	100,200
Deferred tax liabilities	21	52,502	42,427
		91,602	142,627
Current liabilities			
Creditors & accruals	22	13,257	12,315
Secured bank loans	20	109,356	87,921
Tax liabilities		622	1,031
		123,235	101,267
Total liabilities		214,837	243,894
Total equity and liabilities		1,394,617	1,175,357

Balance Sheet

At 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Subsidiary companies	16	968,710	744,145
Unlisted associates	12	41,556	40,799
Available for sale investments	13	9,096	10,600
		1,019,362	795,544
Current assets			
Debtors, advances & prepayments		1,153	6,322
Cash & bank balances	17	13,202	22,967
		14,355	29,289
Total assets		1,033,717	824,833
EQUITY			
Share capital	18	76,935	76,935
Reserves	19	926,311	693,839
Total equity		1,003,246	770,774
LIABILITIES			
Current liabilities			
Creditors & accruals		501	432
Secured bank loans	20	30,756	54,121
Tax refundable		(786)	(494)
Total liabilities		30,471	54,059
Total equity and liabilities		1,033,717	824,833

Consolidated Statement of Cash Flow

For the year ended 31 March 2007

Note	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities		
	195,731	142,842
	(92,464)	(69,570)
	–	(1,330)
	(15,205)	(3,519)
	(28,350)	(62,318)
	3,365	1,933
	(1,238)	(2,292)
	8,406	8,774
	(57,305)	(4,186)
	(4,012)	(2,631)
	(2,780)	24,735
	1,410	(3,407)
Cash generated from operations		
	7,558	29,031
Hong Kong profits tax paid		
	(331)	(909)
Hong Kong profits tax refund		
	298	5
Overseas profits tax paid		
	(1,519)	(148)
Net cash from operating activities		
	6,006	27,979
Cash flows from investing activities		
	1,337	2,268
	62,503	6,457
Investment properties:		
	–	(81,809)
	33,564	1,617
Associates:		
	(11,703)	(62,344)
	24,741	108,298
	57,132	–
Available for sale investments:		
	(51,472)	(12,428)
	–	17,921
	14,988	1,448
Property, plant and equipment:		
	(2,269)	(23,158)
	190	33
Financial assets at fair value:		
	(49)	(59)
	4,592	3,405
	(85,270)	–
	(401)	–
	(1,381)	–
	–	(11,831)
	–	(743)

Consolidated Statement of Cash Flow

For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Net cash from/(used in) investing activities		46,502	(50,925)
Cash flows from financing activities			
Interest paid		(8,412)	(8,838)
Distributions to minority shareholders		(696)	(504)
Dividend paid to shareholders		(13,079)	(11,541)
Bank loans raised		–	22,971
Bank loans repaid		(39,665)	–
Net cash (used in)/from financing activities		(61,852)	2,088
Net decrease in cash and cash equivalents		(9,344)	(20,858)
Cash and cash equivalents at the beginning of the year		25,559	46,258
Effect of foreign exchange rates changes		(647)	159
Cash and cash equivalents at the end of the year		15,568	25,559
Analysis of the balances of cash and cash equivalents			
Bank balances, cash & deposits placed with banks up to three months' maturity	17	15,568	25,559

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to shareholders of the Company								
	Share capital	Share premium	Capital	Exchange reserve	Investment	Retained earnings	Total	Minority interests	Total equity
			reserve & surplus		revaluation reserve				
			HK\$'000		HK\$'000				
At 1 April 2005									
As originally stated	76,935	307,687	52,783	9,562	-	188,860	635,827	1,481	637,308
Opening balance adjustments arising from changes in accounting policies									
- subsidiaries	-	-	-	-	3,061	-	3,061	-	3,061
- minority interests	-	-	-	-	-	-	-	13,786	13,786
- associates	-	-	-	-	16,756	-	16,756	-	16,756
As restated at 1 April 2005	76,935	307,687	52,783	9,562	19,817	188,860	655,644	15,267	670,911
Fair value change of available for sale investments									
- subsidiaries	-	-	-	-	103,303	-	103,303	-	103,303
- minority interests	-	-	-	-	-	-	-	1,247	1,247
- associates	-	-	-	-	40,910	-	40,910	-	40,910
Exchange on translation of									
- subsidiaries	-	-	-	158	-	-	158	-	158
- associates	-	-	-	3,801	-	-	3,801	-	3,801
Net income recognised directly in equity	-	-	-	3,959	144,213	-	148,172	1,247	149,419
Profit attributable to equity holders	-	-	-	-	-	129,519	129,519	399	129,918
Disposal of listed associate	-	-	-	(6,740)	-	-	(6,740)	-	(6,740)
Total recognised income and expense for the year	-	-	-	(2,781)	144,213	129,519	270,951	1,646	272,597
Distribution to minority interests	-	-	-	-	-	-	-	(504)	(504)
2005 final dividend paid	-	-	(7,694)	-	-	-	(7,694)	-	(7,694)
2006 interim dividend paid	-	-	(3,847)	-	-	-	(3,847)	-	(3,847)
At 31 March 2006	76,935	307,687	41,242	6,781	164,030	318,379	915,054	16,409	931,463

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to shareholders of the Company								
	Share capital	Share premium	Capital	Exchange reserve	Investment	Retained earnings	Total	Minority interests	Total equity
			reserve & surplus		revaluation reserve				
			HK\$'000		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	-	-	-	-	26,191	-	26,191	-	26,191
– minority interests	-	-	-	-	-	-	-	1,409	1,409
– associates	-	-	-	-	37,437	-	37,437	-	37,437
Additional investment in a subsidiary	-	-	-	-	-	-	-	(2,147)	(2,147)
Written off of minority interest in a subsidiary	-	-	-	-	-	-	-	(346)	(346)
Exchange on translation of									
– subsidiaries	-	-	-	704	-	-	704	-	704
– associates	-	-	-	8,680	-	-	8,680	-	8,680
Net income recognised directly in equity	-	-	-	9,384	63,628	-	73,012	(1,084)	71,928
Profit attributable to equity holders	-	-	-	-	-	189,461	189,461	703	190,164
Total recognised income and expense for the year	-	-	-	9,384	63,628	189,461	262,473	(381)	262,092
Distribution to minority interests	-	-	-	-	-	-	-	(696)	(696)
2006 final dividend paid	-	-	-	-	-	(9,232)	(9,232)	-	(9,232)
2007 interim dividend paid	-	-	-	-	-	(3,847)	(3,847)	-	(3,847)
At 31 March 2007	76,935	307,687	41,242	16,165	227,658	494,761	1,164,448	15,332	1,179,780

Notes to the Financial Statements

For the year ended 31 March 2007

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 Group is described in note 2.

(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 Listing Rules.

In the current year, the Group has applied the new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) that are effective for the accounting period beginning on or after 1 January 2006. However, the adoption of the new HKFRSs does not have any significant effect on the accounting policies or results and financial position of the Group.

The following new HKFRSs have not been early adopted by the Group:

Effective from 1 January 2007

– HKAS 1 (Amendment)	Capital Disclosures
– HKFRS 7	Financial Instruments: Disclosures
– HK(IFRIC) – Int 8	Scope of HKFRS 2
– HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
– HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
– HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

Effective from 1 January 2009

– HKFRS 8	Operating Segments
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Notes to the Financial Statements

For the year ended 31 March 2007

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2007 comprise 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 2007

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 investments. 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 investments.

(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 2007

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments in securities

Investments in securities, other than investments in subsidiaries and associates, are classified into two categories: financial assets and available for sale investments. Financial assets are current assets that held for trading purpose. They are stated at fair value with changes recognised in the income statement. Available for sale investments are non-derivatives that are either designated as available-for-sale or not classified in other categories of financial assets. They 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 2007

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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 2007

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.

Notes to the Financial Statements

For the year ended 31 March 2007

2. SEGMENT INFORMATION

Business segment

	Property and hotels		Investments and others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment turnover						
Company and subsidiaries	33,557	36,744	62,555	9,109	96,112	45,853
Segment result	7,224	7,438	61,147	7,961	68,371	15,399
Unallocated corporate expenses					(253)	(520)
Operating profit					68,118	14,879
Share of profits of associates						
– Listed	–	–	–	1,330	–	1,330
– Unlisted	92,464	69,570	–	–	92,464	69,570
Change in fair value of investment properties	28,350	62,318	–	–	28,350	62,318
Other gains and losses	10,279	(6,857)	4,926	10,376	15,205	3,519
Finance costs					(8,406)	(8,774)
Taxation					(5,567)	(12,924)
Minority interests					(703)	(399)
Profit attributable to shareholders					189,461	129,519

Notes to the Financial Statements

For the year ended 31 March 2007

2. SEGMENT INFORMATION (continued)

Business segment (continued)

	Property and hotels		Investments and others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment assets and liabilities						
Segment assets	651,295	529,004	261,507	290,080	912,802	819,084
Investment in unlisted associates	481,815	356,273	–	–	481,815	356,273
Consolidated total assets					1,394,617	1,175,357
Segment liabilities	(190,738)	(233,716)	(18,817)	(772)	(209,555)	(234,488)
Unallocated corporate liabilities					(5,282)	(9,406)
Consolidated total liabilities					(214,837)	(243,894)
Other information						
Capital expenditure	140,842	130,925	–	–	140,842	130,925
Depreciation & amortisation	3,365	1,929	–	4	3,365	1,933

Geographical segment

	Turnover by geographical market		Segment assets	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	89,955	41,523	789,393	681,678
Overseas	6,157	4,330	123,409	137,406
	96,112	45,853	912,802	819,084

Notes to the Financial Statements

For the year ended 31 March 2007

3. TURNOVER

	2007 HK\$'000	2006 HK\$'000
Rental income	26,966	21,255
Property expenses recovery	2,636	2,891
Asset management fee	3,526	3,126
Advisory fee income	–	8,792
Dividend income	61,317	6,817
Interest income	1,238	2,292
Others	429	680
	96,112	45,853

4. PROFIT BEFORE TAXATION

	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:		
Interest on bank loans & overdraft wholly repayable within five years	8,406	8,464
Loan interest to an unlisted associate	–	310
Auditors' remuneration	352	272
Provision/(over provision) for long service payments to employees	147	(75)
Rental payment under non-cancellable leases	–	785
Exchange loss	526	175
and after crediting:		
Rental income from investment properties less direct outgoings	18,202	12,640
Listed dividend income	57,305	4,186
Unlisted dividend income	4,012	2,631
Interest income	1,238	2,292

Notes to the Financial Statements

For the year ended 31 March 2007

5. OTHER GAINS AND LOSSES

	2007 HK\$'000	2006 HK\$'000
Net gain on disposal of a listed associate	–	9,658
Net gain on disposal of available for sale investments	4,718	3,209
Profit/(loss) on sale of investment properties and other fixed assets	1,471	(246)
Negative goodwill written off on acquisition of a subsidiary	8,808	–
Increase in fair value of financial assets	691	12
Provision for impairment losses on investments & other assets	(483)	(2,810)
Provision for impairment losses on investment in associates	–	(6,850)
Recovery of provision for an associate	–	546
	15,205	3,519

6. TAXATION

(a) Taxation

	2007			2006		
	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000
Hong Kong						
– Provision for the year	210	4,424	4,634	378	11,505	11,883
– Over provision in prior year	(421)	–	(421)	(506)	–	(506)
Overseas						
– Provision for the year	14	–	14	78	–	78
– Under provision in prior year	1,340	–	1,340	1,469	–	1,469
	1,143	4,424	5,567	1,419	11,505	12,924

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 2007

6. TAXATION (continued)

(b) Reconciliation between accounting profits and the tax charge

	2007	2006
	HK\$'000	HK\$'000
Profit before taxation	195,731	142,842
Less: Share of profits of associates		
– listed	–	(1,330)
– unlisted	(92,464)	(69,570)
Profit before taxation attributable to the Company and its subsidiaries	103,267	71,942
Tax calculated at applicable tax rate of 17.5% (2006: 17.5%)	18,072	12,590
Expenses not deductible for taxation purposes	2,796	5,394
Income not subject to taxation purposes	(16,278)	(5,320)
Current year tax losses not recognised	1,669	1,898
Utilisation of previously unrecognised tax losses	(271)	(1,245)
Deferred tax asset not recognised during the year	–	113
Over provision in prior years	(421)	(506)
Taxation charge	5,567	12,924

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to equity holders of the Company for the year ended 31 March 2007 in the financial statements of the Company was HK\$246,143,000 (2006: HK\$252,845,000).

Notes to the Financial Statements

For the year ended 31 March 2007

8. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Interim cash dividend of HK0.50 cent (2006: HK0.50 cent) per ordinary share	3,847	3,847
Proposed final cash dividend of HK1.50 cents (2006: HK1.20 cents) per ordinary share	11,540	9,232
	15,387	13,079
The dividends which have been paid during the year by cash are as follows:		
Interim for the year ended 31 March 2007	3,847	3,847
Final for the year ended 31 March 2006	9,232	7,694
	13,079	11,541

The 2007 final cash dividend of HK1.50 cents (2006: HK1.20 cents) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$189,461,000 (2006: HK\$129,519,000) and on 769,359,104 shares (2006: 769,359,104 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2007 and 31 March 2006 as the Company had no dilutive potential ordinary shares during both years.

Notes to the Financial Statements

For the year ended 31 March 2007

10. 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	2007 Total HK\$'000
Executive directors					
Rossana Wang Gaw	50	1,800	60	12	1,922
Goodwin Gaw	50	420	200	–	670
Kenneth Gaw	50	2,430	200	12	2,692
Jane Tsui	50	126	20	7	203
Independent non-executive directors					
Charles Wai Bun Cheung	80	–	–	–	80
Bernard Charnwut Chan	80	–	–	–	80
Arnold Tin Chee Ip	80	–	–	–	80
Total	440	4,776	480	31	5,727

	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
Total	440	4,650	1,170	31	6,291

Notes to the Financial Statements

For the year ended 31 March 2007

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Other senior management's emoluments

During the year, the five highest paid individuals included three directors (2006: three directors), details of whose emoluments are included above. The details of the remuneration of the remaining two (2006: two) highest paid individuals are set out below:

	2007 HK\$'000	2006 HK\$'000
Salaries, allowances and benefits in kind	1,719	1,624
Bonuses	300	590
Pension scheme contributions	24	20
	2,043	2,234

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

	2007	2006
HK\$		
Nil – 1,000,000	1	1
1,000,001 – 1,500,000	1	1

Notes to the Financial Statements

For the year ended 31 March 2007

11. FIXED ASSETS

(a) Investment properties

	2007 HK\$'000	2006 HK\$'000
At valuation	393,300	227,100
At cost	–	9,537
At 31 March 2006 (31 March 2005)	393,300	236,637
Additions	100,000	119,599
Disposals	(32,050)	(1,591)
Reclassification	–	(23,663)
Revaluation	28,350	62,318
At 31 March 2007 (31 March 2006)	489,600	393,300

Investment properties comprised the following :

	2007 HK\$'000	2006 HK\$'000
At valuation :		
Leasehold properties in Hong Kong - long term	220,000	151,000
Leasehold properties in Hong Kong - medium term	262,300	235,000
Long term leasehold properties in Mainland China	7,300	7,300
	489,600	393,300

Investment properties were valued at 31 March 2007 by AA Property Services Limited, independent professional valuers, on an open market value basis.

(b) Leasehold land

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

	2007 HK\$'000	2006 HK\$'000
In Hong Kong, held on leases:		
Over 50 years	11,121	11,358

Notes to the Financial Statements

For the year ended 31 March 2007

11. FIXED ASSETS (continued)

(c) Property, plant and equipment

	Building HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost			
At 31 March 2005	–	9,016	9,016
Additions	11,832	11,326	23,158
Disposals	–	(1,670)	(1,670)
At 31 March 2006	11,832	18,672	30,504
Additions	–	2,270	2,270
Disposals	–	(788)	(788)
Written off of a subsidiary	–	(418)	(418)
At 31 March 2007	11,832	19,736	31,568
Accumulated depreciation			
At 31 March 2005	–	6,797	6,797
Charge for the year	473	986	1,459
Disposals	–	(1,364)	(1,364)
At 31 March 2006	473	6,419	6,892
Charge for the year	473	2,656	3,129
Disposals	–	(556)	(556)
Written off of a subsidiary	–	(406)	(406)
At 31 March 2007	946	8,113	9,059
Net book value			
At 31 March 2007	10,886	11,623	22,509
At 31 March 2006	11,359	12,253	23,612

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

Notes to the Financial Statements

For the year ended 31 March 2007

12. UNLISTED ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
The Group		
At cost	15,588	14,507
Goodwill written off	(3,029)	(3,029)
Impairment losses	(18,588)	(18,588)
Exchange reserves	12,526	3,847
Attributable to post acquisition profit	174,069	81,605
Attributable to investment revaluation reserve	95,102	57,666
Share of net assets	275,668	136,008
Amount due from associates	211,348	230,908
Amount due to associates	(5,201)	(10,643)
	481,815	356,273
The Company		
At cost	2,093	516
Amount due from associates	39,463	40,283
	41,556	40,799

(a) Major associates

Name	Country of incorporation	Investment by associates	Group's effective		Issued share capital
			interest in investment	interest in associates	
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 20,000,000

Notes to the Financial Statements

For the year ended 31 March 2007

12. UNLISTED ASSOCIATES *(continued)*

(a) Major associates *(continued)*

Name	Country of incorporation	Investment by associates	Group's effective		Issued share capital
			interest in investment	interest in associates	
Tidefull Investment Ltd	Liberia	Shanghai K Wah Centre, China	7.7%	50.0%	1 full 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

The issued share capital of Pioneer Hospitality Siam (GBR) Ltd. was increased from Baht 5,000,000 to Baht 20,000,000 during the year ended 31 March 2007 without change in our shareholdings.

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

	2007 HK\$'000	2006 HK\$'000
Total assets	1,354,683	1,087,758
Total liabilities	(653,873)	(660,888)
Net assets	700,810	426,870
Revenue	76,746	75,333
Profit for the year	184,290	187,621

Notes to the Financial Statements

For the year ended 31 March 2007

13. AVAILABLE FOR SALE INVESTMENTS

	2007 HK\$'000	2006 HK\$'000
The Group		
Listed investments		
In Hong Kong	171,546	170,264
Outside Hong Kong	11,076	–
Unlisted investments		
In Hong Kong	80,164	57,060
Outside Hong Kong	96,067	47,453
	358,853	274,777
The Company		
Listed investments		
In Hong Kong	9,096	10,600

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.

14. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	2007 HK\$'000	2006 HK\$'000
Investment disposal receivables	–	62,588
Deposit on acquisition of properties	3,689	–
Advances & prepayments	4,623	6,006
	8,312	68,594

Notes to the Financial Statements

For the year ended 31 March 2007

15. FINANCIAL ASSETS AT FAIR VALUE

	2007 HK\$'000	2006 HK\$'000
Listed shares, at market value		
In Hong Kong	138	218
Outside Hong Kong	5,254	20,208
	5,392	20,426

16. SUBSIDIARY COMPANIES

	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	424,433	424,433
Amount due by subsidiaries	589,943	365,378
Provision for impairment losses	(45,666)	(45,666)
	968,710	744,145

A list of major subsidiaries is set out in note 29.

Notes to the Financial Statements

For the year ended 31 March 2007

17. CASH & BANK BALANCES

	2007 HK\$'000	2006 HK\$'000
The Group		
Cash at bank and in hand	2,587	2,611
Short-term bank deposits	12,981	22,948
	15,568	25,559
The Company		
Cash at bank and in hand	221	19
Short-term bank deposits	12,981	22,948
	13,202	22,967

The effective interest rate on short-term bank deposits was 5.19% (2006: 5.77%). The carrying amounts of these assets approximate their fair value.

The cash and bank balances are denominated in the following currencies:

	2007 HK\$'000	2006 HK\$'000
The Group		
Hong Kong dollar	1,996	2,075
United States dollar	13,552	23,419
Others	20	65
	15,568	25,559
The Company		
Hong Kong dollar	19	49
United States dollar	13,183	22,918
	13,202	22,967

Notes to the Financial Statements

For the year ended 31 March 2007

18. SHARE CAPITAL

	No. of Shares of HK\$0.10 each	HK\$'000
Authorised		
At 31 March 2007 and 31 March 2006	2,000,000,000	200,000
Issued and fully paid		
At 31 March 2007 and 31 March 2006	769,359,104	76,935

19. RESERVES

The Group

	2007 HK\$'000	2006 HK\$'000
Share premium	307,687	307,687
Capital reserve and contributed surplus	41,242	41,242
Exchange reserve	16,165	6,781
Investment revaluation reserve	227,658	164,030
Retained earnings	494,761	318,379
	1,087,513	838,119

Notes to the Financial Statements

For the year ended 31 March 2007

19. 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 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
At 31 March 2006	307,687	381,051	(1,149)	6,250	693,839
At 31 March 2006	307,687	381,051	(1,149)	6,250	693,839
Profit for the year	–	–	246,143	–	246,143
Final dividend paid for the year ended 31 March 2006	–	–	(9,232)	–	(9,232)
Interim dividend paid for the year ended 31 March 2007	–	–	(3,847)	–	(3,847)
Reversal upon disposal of available for sale investments	–	–	–	(4,350)	(4,350)
Revaluation of available for sale investments	–	–	–	3,758	3,758
At 31 March 2007	307,687	381,051	231,915	5,658	926,311

The reserves of the Company available for distribution to shareholders as at the balance sheet date, calculated in accordance with the Bermuda Companies Act, amounted to HK\$612,966,000 (2006: HK\$379,902,000).

Notes to the Financial Statements

For the year ended 31 March 2007

20. SECURED BANK LOANS

	2007 HK\$'000	2006 HK\$'000
The Group		
Current		
Repayable on demand	109,356	87,921
Non-current		
Repayable more than one year but not exceeding two years	22,100	83,200
Repayable more than two years but not exceeding five years	17,000	17,000
	39,100	100,200
The Company		
Current		
Repayable on demand	30,756	54,121

The Group and the Company has a bank loan of HK\$19,500,000 which is denominated in United States Dollars (2006: all bank loans were denominated in Hong Kong dollars). The effective interest rate at the balance sheet date was 5.1% (2006: 5.1%). The carrying amount of bank loans approximates their fair value based on prevailing market interest rate.

21. 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 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)
At 31 March 2006	40,420	2,007	–	42,427
At 31 March 2006	40,420	2,007	–	42,427
Charge to income statement	3,838	586	–	4,424
Acquisition of a subsidiary	4,622	679	–	5,301
Fair value adjustment	350	–	–	350
At 31 March 2007	49,230	3,272	–	52,502

Notes to the Financial Statements

For the year ended 31 March 2007

21. DEFERRED TAXATION (continued)

The Group has tax losses of HK\$46,400,000 (2006: HK\$32,300,000) 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.

22. CREDITORS & ACCRUALS

	2007 HK\$'000	2006 HK\$'000
Creditors and accruals comprised the followings :		
Provision for long service payments	1,710	1,594
Rental deposit received	7,552	5,998
Accruals & other creditors	3,995	4,723
	13,257	12,315

23. ACQUISITION OF A SUBSIDIARY

The Group acquired 100% ordinary shares of Everbright Financial Products Limited on 2 June 2006. The acquired company was a property investment company owning the whole of 1st, 2nd, 22nd, 25th, 27th, 29th, 31st and 35th Floors and 11 car parking spaces of Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong. The acquired company was then renamed as PGG Morrison Holding Limited.

	Acquiree's carrying amount HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Net assets acquired			
Investment properties	98,000	2,000	100,000
Debtors, advances & prepayments	708	-	708
Creditors & accruals	(708)	-	(708)
Deferred tax liabilities	(5,301)	(350)	(5,651)
	92,699	1,650	94,349
Negative goodwill			(9,079)
Total consideration, satisfied by cash			85,270
Net cash outflow arising on acquisition			85,270

Notes to the Financial Statements

For the year ended 31 March 2007

24. GUARANTEES & COMMITMENTS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Guarantees given to bank in respect of banking facilities utilised by subsidiaries	-	-	148,450	188,120
Commitments				
- for total future minimum lease payments				
- not later than one year	2,050	5,493	-	-
- later than one year and not later than five years	755	2,919	-	-
- for purchase of investment properties				
- not later than one year	1,792	-	-	-
- later than one year and not later than five years	12,548	-	-	-

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:

	2007 HK\$'000	2006 HK\$'000
Not later than one year	24,704	20,071
Later than one year but not later than five years	18,015	11,003
	42,719	31,074

26. PLEDGE OF ASSETS

At the balance sheet date, properties, available for sale investments and bank balances of the Group with a carrying value of approximately HK\$432 million, HK\$162 million and HK\$13 million (2006: HK\$373 million, HK\$160 million and HK\$23 million) respectively were pledged to secure banking and other loan facilities to the extent of HK\$311 million (2006: HK\$319 million) of which HK\$148 million (2006: HK\$188 million) was utilised at that date.

Notes to the Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME

As at 31 March 2007, there was no outstanding options to subscribe for the shares of the Company. Summary of the available options during the year was as follows:

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

No options were exercised during the year.

28. RELATED PARTY TRANSACTIONS

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 2007 amounted to HK\$587,000.

The transaction was exempted from announcement, reporting and shareholders' approval as the transaction was within the relevant maximum amount permitted under the listing rules of the Stock Exchange.

Notes to the Financial Statements

For the year ended 31 March 2007

29. 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	65
Fortune Far East Limited	Investment	Liberia	1	US\$1,000	100
Future Star Company Limited	Investment	British Virgin Islands	1	US\$1	100
Gamolon Investments Limited	Real Estate	Hong Kong	1,000	HK\$10	100
Glory East Limited	Real Estate	Liberia	1	Nil	100
Golden Mile Limited	Real Estate	Liberia	1	Nil	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	Invesment	Hong Kong	70,000	HK\$10	100
PGG Asset Management Limited	Asset management	British Virgin Islands	1	US\$1	100
PGG Morrison Holding Limited	Real Estate	Hong Kong	2	HK\$1	100
Pine International Limited	Investment	British Virgin Islands	1	HK\$1	100
Pioneer Estates Limited	Real Estate	Hong Kong	100	HK\$10	100

Notes to the Financial Statements

For the year ended 31 March 2007

29. LIST OF MAJOR SUBSIDIARIES (continued)

Name of company	Main activity	Country of incorporation	No. of issued shares	Par value	Percentage of equity held
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
Treasure Unit Limited	Investment	British Virgin Islands	1	US\$1	100
Wealth Instrument Inc.	Investment	British Virgin Islands	1	US\$1	100

30. 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 2007, the Group's investment classified as available for sale investment and financial assets consisted of foreign securities amounted to HK\$86,879,000 and HK\$5,254,000 respectively, the value of which fluctuate because of changes in foreign exchange rates.

(ii) Price risk

As at 31 March 2007, 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.

	HK\$'000
Available for sale investments	182,622
Financial assets	5,392

Notes to the Financial Statements

For the year ended 31 March 2007

30. FINANCIAL RISKS *(continued)*

(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.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 22 to 58 have been approved by the Board of Directors on 11 July 2007.

Schedule of the Group's Properties

The following is a list of properties held for investment as at 31 March 2007:

Location/Lot No.	Type of property	Lease term	Group's effective interest	GFA
1. Pioneer Building, 213 Wai Yip Street, Kwun Tong, Kowloon Kwun Tong Inland Lot No. 294	Industrial	Medium-term	100%	245,678 ft ²
2. 12th Floor and the roof and car parking spaces Nos. 24 and 25, Edwick Industrial Centre, 4-30 Lei Muk Road, Kwai Chung, New Territories 98/1210 shares of and in the remaining portion of Kwai Chung Town Lot No. 302	Industrial	Medium-term	100%	51,340 ft ²
3. 6th Floor, On Lok Yuen Building, Nos. 25, 27 and 27A Des Voeux Road Central, Hong Kong 5/81 shares of and in Inland Lot No. 2178	Commercial	Long-term	100%	3,878 ft ²
4. The whole of basement, shops 1 & 2 on Ground Floor, Shops 1, 47, 59 & 87 on 1st Floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong	Commercial	Long-term	100%	63,840 ft ²
5. Suites 1808-11, 18th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial	Long-term	100%	6,630 ft ²
6. 22nd, 25th, 27th, 29th, 31st and 35th Floors, and car parking spaces No. 1-9 on 3rd Floor, Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong.	Commercial	Long-term	100%	20,976 ft ²
7. Apartments A and B on 19th Floor, Wah Tai Mansion, No. 388 Zhao Jia Bang Road, Shanghai, People's Republic of China	Residential	Long-term	100%	5,248 ft ²

Five Years Financial Summary

For the year ended 31 March

	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000 Restated	2007 HK\$'000
RESULTS					
Turnover	42,264	35,518	32,048	45,853	96,112
Profit attributable to shareholders	2,598	21,866	103,653	129,519	189,461
Dividends	–	–	11,541	11,541	13,079
Earnings per share (HK cents)	0.35	2.92	13.67	16.83	24.63
BALANCE SHEET					
Total assets	637,741	630,011	850,482	1,175,357	1,394,617
Total liabilities	(104,562)	(69,294)	(213,174)	(243,894)	(214,837)
	533,179	560,717	637,308	931,463	1,179,780
Capital and reserves					
Share capital	74,898	74,898	76,935	76,935	76,935
Reserves	457,040	483,685	558,892	838,119	1,087,513
Shareholders' funds	531,938	558,583	635,827	915,054	1,164,448
Minority interests	1,241	2,134	1,481	16,409	15,332
	533,179	560,717	637,308	931,463	1,179,780
	HK cents	HK cents	HK cents	HK cents	HK cents
Net asset value per share	71.3	74.6	83.8	118.9	151.4

