



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

Interim Report 2005



**PIONEER GLOBAL GROUP LIMITED**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Rossana WANG GAW, *Chairman*

Goodwin GAW, *Vice Chairman*

Kenneth GAW, *Managing Director*

Jane Kwai Ying TSUI

#### *Independent Non-executive Directors*

Dr. Charles Wai Bun CHEUNG, J.P.

The Hon. Bernard Charnwut CHAN

Arnold Tin Chee IP

### AUDIT COMMITTEE

Dr. Charles Wai Bun CHEUNG, J.P.

The Hon. Bernard Charnwut CHAN

Arnold Tin Chee IP

### COMPANY SECRETARY

Jane Kwai Ying TSUI

### BANKERS

Asia Commercial Bank Limited

Bangkok Bank Public Company Limited

Chiyu Banking Corporation Limited

Citibank, N.A.

Standard Chartered Bank (Hong Kong)  
Limited

The Hongkong & Shanghai Banking  
Corporation Limited

### SOLICITORS

K.C. Yung & Co.

Morrison & Foerster

### AUDITORS

Fan, Mitchell & Co.

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### PRINCIPAL OFFICE IN HONG KONG

Suites 01-03, 30th Floor, Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong

### SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

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

### SHARE REGISTRARS & TRANSFER OFFICE IN HONG KONG

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

### INFORMATION

<http://www.pioneerglobalgroup.com>

Bloomberg: 224:HK

Reuters: 0224.hk

The Board of Directors of Pioneer Global Group Limited (“the Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2005, together with the comparative figures for the corresponding period in 2004 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000 (Restated)
	Note		
Turnover			
Company and subsidiaries		28,634	16,653
Share of listed associate		30,103	27,505
Share of unlisted associates		15,122	12,644
		<b>73,859</b>	56,802
Turnover of Company and subsidiaries	3	<b>28,634</b>	16,653
Properties operating expenses		(4,938)	(2,099)
Purchases for resale		–	(337)
Staff costs		(4,996)	(4,256)
Depreciation & amortisation		(226)	(307)
Other operating expenses		(3,135)	(1,940)
		<b>(13,295)</b>	(8,939)
Operating profit	3	<b>15,339</b>	7,714
Change in fair value of investment properties		57,854	–
Change in fair value of financial assets		(2,133)	(1,701)
Net (loss)/profit on disposal of assets less impairment provisions		(147)	9,068
Share of profits and (losses) of associates			
Listed		111	(1,446)
Unlisted		19,364	3,027
Finance costs		(4,398)	(458)
Profit before taxation		<b>85,990</b>	16,204
Taxation	4	255	(479)
Profit after taxation		<b>86,245</b>	15,725
Allocated as:			
Minority interests		405	92
Profit attributable to shareholders		<b>85,840</b>	15,633
		<b>86,245</b>	15,725
Interim dividend	5	<b>3,847</b>	3,847
Earnings per share ( <i>HK cents</i> )	6	<b>11.16</b>	2.09

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>30 September</b>	31 March
	<b>2005</b>	2005
	<b>(unaudited)</b>	(audited)
<i>Note</i>	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Non-current assets</b>		
Fixed assets		
Investment properties	<b>412,500</b>	236,637
Other fixed assets	<b>1,933</b>	2,219
Listed associate	<b>51,962</b>	54,938
Unlisted associates	<b>232,337</b>	232,494
Investment securities & other investments	–	159,402
Available for sale investments	<b>115,317</b>	–
Loan & receivables	<b>2,991</b>	–
Deposits & advances	–	59,127
	<b>817,040</b>	744,817
<b>Current assets</b>		
Debtors, advances & prepayments	<b>10,993</b>	29,114
Financial assets	<b>27,860</b>	–
Other investments	–	30,293
Cash & bank balances	<b>35,056</b>	46,258
	<b>73,909</b>	105,665
<b>Current liabilities</b>		
Creditors & accruals	<b>(11,758)</b>	(15,586)
Secured bank loans	<b>(61,806)</b>	(143,700)
Taxation	<b>289</b>	(664)
	<b>(73,275)</b>	(159,950)
Net current assets/(liabilities)	<b>634</b>	(54,285)
<b>Non-current liabilities</b>		
Secured bank loans	<b>(100,200)</b>	(21,450)
Deferred taxation	<b>(2,561)</b>	(2,373)
	<b>(102,761)</b>	(23,823)
<b>Net assets</b>	<b>714,913</b>	666,709
<b>Representing:</b>		
Share capital	<b>76,935</b>	76,935
Reserves	<b>636,596</b>	588,293
Shareholders' fund	<b>713,531</b>	665,228
Minority interests	<b>1,382</b>	1,481
<b>Total equity</b>	<b>714,913</b>	666,709

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>For the six months ended 30 September</b>	
	<b>2005 (Unaudited) HK\$'000</b>	2004 (Unaudited) HK\$'000
Net cash inflow from/(outflow to) operating activities	<b>23,708</b>	(8,903)
Net cash (used in)/generated from investing activities	<b>(19,055)</b>	20,657
Net cash generated from/(used in) financing activities	<b>66,054</b>	(1,025)
Increase in cash and cash equivalents	<b>70,707</b>	10,729
Cash and cash equivalents at 1 April	<b>(97,442)</b>	(32,815)
Reclassification to investments	–	(765)
Effect of foreign exchange rate changes	<b>(15)</b>	(4)
Cash and cash equivalents at 30 September	<b>(26,750)</b>	(22,855)
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks up to three months' maturity	<b>35,056</b>	28,945
Bank overdrafts and loans repayable up to three months	<b>(61,806)</b>	(51,800)
	<b>(26,750)</b>	(22,855)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six months ended 30 September 2005**

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve & contributed surplus HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 31 March 2005, as previously reported	76,935	307,687	52,783	9,562	209,928	-	8,333	665,228
Effect of adopting HKAS 40	-	-	-	-	(209,928)	-	209,928	-
Balance at 31 March 2005, as restated	76,935	307,687	52,783	9,562	-	-	218,261	665,228
Change in fair value of available for sale investments	-	-	-	-	-	(26,067)	-	(26,067)
Exchange on translation of								
- subsidiaries	-	-	-	(689)	-	-	-	(689)
- associate	-	-	-	(3,087)	-	-	-	(3,087)
Net expense recognised directly in equity	-	-	-	(3,776)	-	(26,067)	-	(29,843)
Net profit for the period	-	-	-	-	-	-	85,840	85,840
Total recognised income and expense for the period	-	-	-	(3,776)	-	(26,067)	85,840	55,997
Final dividend paid for the year ended 31 March 2005	-	-	(7,694)	-	-	-	-	(7,694)
<b>Balance at 30 September 2005</b>	<b>76,935</b>	<b>307,687</b>	<b>45,089</b>	<b>5,786</b>	<b>-</b>	<b>(26,067)</b>	<b>304,101</b>	<b>713,531</b>
Balance at 31 March 2004, as previously reported	74,898	304,729	64,120	5,283	146,822	-	(37,269)	558,583
Effect of adopting HKAS 40	-	-	-	-	(146,822)	-	146,822	-
Balance at 31 March 2004, as restated	74,898	304,729	64,120	5,283	-	-	109,553	558,583
Reserves realised on disposal of investment properties	-	-	-	3,550	-	-	-	3,550
Exchange on translation of								
- subsidiaries	-	-	-	(203)	-	-	-	(203)
- associate	-	-	-	(3,049)	-	-	-	(3,049)
Net income recognised directly in equity	-	-	-	298	-	-	-	298
Net profit for the period	-	-	-	-	-	-	15,633	15,633
Total recognised income for the period	-	-	-	298	-	-	15,633	15,931
Shares repurchased	(3)	(3)	-	-	-	-	-	(6)
Balance at 30 September 2004	74,895	304,726	64,120	5,581	-	-	125,186	574,508

## NOTES

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies used in the preparation of interim financial statements are consistent with those set out in the annual financial statements for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively referred to as “new HKFRSs”) which are relevant to its operation and effective for accounting periods commencing on 1 April 2005.

The changes in accounting policies, where material, are related to the following new and revised HKASs:

*HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement*

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

Following the adoption of HKAS 32 & 39, investments of the Group are classified into three categories: financial assets, loans & receivables and available for sale investments. Financial assets are stated at fair value with changes recognized in the profit and loss accounts. Loans & receivables are carried at amortized cost using the effective interest method. Available for sale investments are carried at fair value with any changes recognized in equity. The Group has adopted HKAS 32 & 39 prospectively.

*HKAS 40 – Investment Property*

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

Following the adoption of HKAS 40, the Group has elected to use the fair value model to account for investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognized directly in the profit and loss account for the period in which they arise. The HKAS 40 requires the change to be adopted retrospectively.



The effect on profit and loss, earnings per share and shareholders' funds, where material, of adopting the above new policies are set out in Note 2.

## 2. EFFECT OF CHANGES IN ACCOUNTING POLICIES

### (a) Effect on profit and loss and earnings per share

#### Six months ended 30 September 2005

	<i>Note</i>	After change HK\$'000	Prior to change HK\$'000	Increase (Decrease) HK\$'000	HKFRS
Operating profit		15,339	15,339	–	
Change in fair value of investment properties		57,854	–	57,854	HKAS 40
Change in fair value of financial assets		(2,133)	–	(2,133)	HKAS 32 & 39
Net loss on assets disposal less impairments		(147)	(2,280)	2,133	HKAS 32 & 39
Share of results of Listed associate		111	111	–	
Unlisted associates	<i>(i)</i>	19,364	61,290	(41,926)	HKAS 40
Finance costs		(4,398)	(4,398)	–	
Profit before taxation		85,990	70,062	15,928	
Taxation		255	255	–	
Profit after taxation		<u>86,245</u>	<u>70,317</u>	<u>15,928</u>	
Allocated as:					
Profit to minority interests		<u>405</u>	<u>405</u>	–	
Profit attributable to shareholders		<u>85,840</u>	<u>69,912</u>	<u>15,928</u>	
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	
Earnings per share		<u>11.2</u>	<u>9.1</u>	<u>2.1</u>	

*Note (i)*

The Group's unlisted associate, Global Gateway LP ("GG"), disposed its Hong Kong property in the current period. Prior to the adoption of HKAS 40, the Group's share of profit of GG in the current period would have been HK\$ 58,332,000. After the adoption of HKAS 40, the Group's share of profit of GG is HK\$16,406,000. The difference of HK\$ 41,926,000, which was the investment properties revaluation reserve of the GG's Hong Kong property, is deemed to be recognized in the profit and loss of the previous financial year ended on 31 March 2005 during which the revaluation was carried out.

## Six months ended 30 September 2004

	<i>Note</i>	After change HK\$'000	Prior to change HK\$'000	Increase (Decrease) HK\$'000	HKFRS
Operating profit		7,714	7,714	–	
Change in fair value of investment properties	(ii)	–	–	–	HKAS 40
Change in fair value of financial assets		(1,701)	(1,701)	–	HKAS 32 & 39
Net profit on assets disposal less impairments	(iii)	9,068	16,772	(7,704)	HKAS 40
Share of results of					
Listed associate		(1,446)	(1,446)	–	
Unlisted associates		3,027	3,027	–	
Finance costs		(458)	(458)	–	
Profit before taxation		16,204	23,908	(7,704)	
Taxation		(479)	(479)	–	
Profit after taxation		15,725	23,429	(7,704)	
Allocated as:					
Profit to minority interests		92	92	–	
Profit attributable to shareholders		15,633	23,337	(7,704)	
		HK cents	HK cents	HK cents	
Earnings per share		2.1	3.1	(1.0)	

*Note (ii)*

No revaluation of investment properties was carried out as at 30 September 2004.

*Note (iii)*

The decrease, HK\$7,704,000, was related to the revaluation reserve of the investment properties disposed during the period. After the adoption of HKAS 40, the HK\$7,704,000 revaluation reserve was deemed to be recognized in the profit and loss of previous financial years when such revaluation was carried out.

**(b) Effect on shareholders' funds**

	<b>Effect on shareholders' funds</b>			
	As at 31 March 2004 HK\$'000	As at 30 September 2004 HK\$'000	As at 31 March 2005 HK\$'000	As at <b>30 September 2005 HK\$'000</b>
Adoption of:				
HKAS 32 & 39	–	–	–	<b>(26,067)</b>
HKAS 40	–	–	–	–

### 3. SEGMENT INFORMATION

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

	Property and hotels		Investments and others		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment turnover</b>						
Company and subsidiaries	<b>22,051</b>	10,599	<b>6,583</b>	6,054	<b>28,634</b>	16,653
<b>Segment result</b>	<b>10,343</b>	3,297	<b>5,837</b>	5,142	<b>16,180</b>	8,439
Unallocated corporate expenses					<b>(841)</b>	(725)
Operating profit					<b>15,339</b>	7,714
Change in fair value of investment properties					<b>57,854</b>	–
Change in fair value of financial assets					<b>(2,133)</b>	(1,701)
Net (loss)/profit on disposal of assets less impairment provisions					<b>(147)</b>	9,068
Share of profits and (losses) of associates						
– Listed	–	–	<b>111</b>	(1,446)	<b>111</b>	(1,446)
– Unlisted	<b>19,364</b>	3,027	–	–	<b>19,364</b>	3,027
Finance costs					<b>(4,398)</b>	(458)
Taxation					<b>255</b>	(479)
					<b>86,245</b>	15,725

#### 4. TAXATION

	2005			2004		
	Current	Deferred	Total	Current	Deferred	Total
	taxation	taxation		taxation	taxation	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The Company and its subsidiaries						
Hong Kong	(461)	246	(215)	514	(53)	461
Overseas	19	(59)	(40)	18	–	18
	(442)	187	(255)	532	(53)	479

Hong Kong profits tax has been provided at the rate of 17.50% (2004: 17.50%) on the estimated Hong Kong source assessable profits for the period. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.

#### 5. INTERIM DIVIDEND

The Board of Directors declares an interim dividend of HK0.50 cent per share (2004: HK0.50 cent), totaling HK\$3,847,000 for the six months ended 30 September 2005 (2004: HK\$3,847,000) to shareholders whose names appear on the register of members of the Company at the close of business on 17 February 2006. This amount is not included as a liability in these interim financial statements.

#### 6. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$85,840,000 (2004 restated: HK\$15,633,000) and on 769,359,104 shares in issue during the period (2004: on weighted average number of 748,961,290 shares in issue during the period).

No diluted earnings per share have been presented for the periods ended 30 September 2005 and 30 September 2004 respectively as the exercise prices of the share options granted by the Company were higher than the fair value per share at the balance sheet date.

7. UNLISTED ASSOCIATES

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
At cost	19,803	122,805
Goodwill written off	(3,029)	(3,029)
Impairment loss	(11,497)	(11,497)
Exchange reserves	46	46
Attributable post acquisition losses	30,611	11,248
Share of net assets	35,934	119,573
Amount due from associates	212,744	132,921
Amount due to an associate	(16,341)	(20,000)
	<b>232,337</b>	<b>232,494</b>

8. SHARE CAPITAL

	No. of shares of HK\$0.10 each	HK\$'000
Authorised		
At 30 September 2005 and 31 March 2005	2,000,000,000	200,000
Issued and Fully Paid		
At 30 September 2005 and 31 March 2005	769,359,104	76,935

**9. CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>30 September</b>	31 March
	<b>2005</b>	2005
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Guarantees		
– to bankers in lieu of utility deposits	<b>402</b>	224
– for payment of banking facilities to an existing associate	<b>25</b>	30
Commitments		
– to purchase foreign currency (USD10,000,000)	–	78,488
– to sell Hong Kong Dollars	–	78,488
– to purchase investment properties	–	93,509
– for further investment in companies held as other investments	<b>682</b>	682
– for total future minimum lease payments		
– not later than one year	<b>5,281</b>	1,423
– later than one year and not later than five years	<b>3,962</b>	240
	<hr/>	

**10. COMPARATIVE AMOUNTS**

As further explained in Note 1, due to the adopting of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

## **INTERIM DIVIDEND**

The Directors recommend the payment of an interim dividend for the six months ended 30 September 2005 at the rate of HK0.50 cent per share (2004: HK0.50 cent per share), payable on 20 February 2006 to all persons registered as shareholders on 17 February 2006. The transfer books and register of members of the Company will be closed from 13 February 2006 to 17 February 2006, both days inclusive.

## **BUSINESS REVIEW**

For the six months ended 30 September 2005, total turnover for the Group including subsidiaries and share of associates increased by 30.0% to HK\$73.8 million (2004: HK\$56.8 million). The increase in turnover was due mainly to rental contribution from newly acquired assets, advisory fee earned from the sale of Global Gateway (Hong Kong), and revenue growth from Aisawan Resort & Spa.

I am also pleased to report that net profit for the Group increased significantly by 449.1% to HK\$85.8 million (2004 restated: HK\$15.6 million). It is important, however, to note that this year's net profit has been affected by the adoption of the new revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards. In the past, all revaluation gains are accumulated under reserves in the balance sheet and only revaluation losses are reflected in the Profit & Loss Statement if revaluation falls below book cost. Under the new standards, all revaluation gains (or losses) during the period are reflected in the P&L statement. The tables in Note 2(a) to the financial statements above show the P&L statement of the Group in comparison with the P&L statement had we used the previous accounting standards. While revaluation gains during the period amounted to HK\$57.9 million, profit from the asset disposal of Global Gateway was reduced by HK\$41.9 million as those gains were deemed by the revised accounting standard to be made in the past financial periods. The net effect of the new accounting standards for the Group was an additional gain of HK\$15.9 million during the period.

More significant, however, is that under the revised accounting standard on investment property all previously accumulated revaluation gains have now been moved directly from reserves into retained earnings even though they were never reported in the past P&L statements. So we now have an illogical situation of a large retained earnings on our balance sheet that have not been earned yet. The net effect is that when assets are actually sold in the future, we will no longer be able to report a significant portion of the actual gain (up to the last revaluation). And if valuation goes down in the future, we will have losses on asset values that were not realized yet.



## Property Investments

For the six months period ended 30 September 2005, the Group's directly held investment properties generated rental revenues of HK\$13.2 million (2004: HK\$10.6 million). Pioneer Building, the Group's main investment property in Hong Kong, has continued to perform well with an occupancy rate of 98.3% at the end of the period.

Shanghai K Wah Centre, held through an associate of the Group, (previously reported as Phase II of the Pacific Plaza project in Shanghai) has been very well received by the market and the building enjoys an occupancy rate of over 90% as at the end of this reporting period.

As reported previously in the 2004/05 reporting year, the Group formed a joint venture with Morgan Stanley Real Estate Funds and PamFleet Investments Limited to purchase the 217,625 sq.ft. 68 Yee Woo Street in Causeway Bay and the 640,000 sq.ft. Kowloon City Plaza in Kowloon City. The properties were purchased by the joint venture consortium through a securitization vehicle with an existing debt of HK\$1.2 billion. In September 2005, the joint venture consortium successfully refinanced the debt and increased leverage to HK\$1.5 billion. A large portion of the refinancing surplus have been distributed to the shareholders and the Group's share of the distribution was HK\$12.0 million.

During the period under review, the Group's associate Global Gateway sold its Hong Kong asset for a consideration of HK\$754.2 million. A Purchase & Sale Agreement was also signed for Global Gateway's Singapore asset for a consideration of S\$14.4 million. As explained before, while the Group's actual gain from this sale would be HK\$58.3 million, the accounting profit reported during this period was only HK\$16.4 million as HK\$41.9 million of the profit was assumed to be recognized in the previous period under the new accounting standards. In terms of cash receipt, the Group received a distribution of HK\$103.0 million from the sale of Global Gateway's sale of its Hong Kong asset. In addition to the profit on the sale, the Group has also been paid an advisory fee of HK\$7.5 million in connection to this transaction.

In March and April 2005, the Group purchased a total of 63,840 sq.ft. in Maximall, City Garden, North Point from three different vendors for a total consideration of HK\$117.7 million. During the period, the Group finalized plans to turn the entire basement of Maximall into a themed education center for young children. The themed education center will be managed by an independent operator under the trade name "QQ Club". Revenues to the Group will be in the form of fixed minimum rent plus percentage of turnover. The renovation of the "QQ Club" project was completed in November 2005 and the center is expected to soft open in December 2005. As of to-date, all space in QQ Club has already been 100% pre-leased.

In May 2005, 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 for HK\$600 million. The Group's 25% interest in the joint venture is accounted for as investment in an associate company. The property is currently being renovated into a class-A commercial/retail/entertainment building and pre-leasing marketing activities have started since September 2005. The renovation of the property is expected to be completed by the end of March 2006. At the date of reporting, a financial institution has signed up an anchor lease to occupy about 16% with an option to take up to 30% of the total office space.

### **Investments in Hotel Industry**

For the six months ended 30 September 2005, the Aisawan Resort & Spa in Pattaya, Thailand produced revenues of Baht 99.6 million (2004: Baht 60.7 million) and gross operating profits of Baht 41.2 million (2004: Baht 15.5 million). By the second quarter of 2005, tourism business in Pattaya has fully recovered from the December 2004 tsunami that hit many beach resorts in the Andaman Sea and Indian Ocean. We expect that Aisawan Resort & Spa and the Pattaya market in general will enjoy a strong high season this winter. Through an associate company, Aisawan Resort & Spa contributed HK\$1.5 million to the Group during the period (2004: HK\$0.2 million).

The Group's associate company Grandsworth Pte. Limited owns 10.3% of Dusit Thani Public Company Limited ("Dusit Thani"), the leading owner and operator of hotels in Thailand. During the 9 months ended 30 September 2005, Dusit Thani had revenues of Baht 2.0 billion (2004: Baht 1.8 billion) and net income of Baht 154.2 million (2004: Baht 341.1 million which included a debt restructuring gain of Baht 261.0 million).

### **Other Investments**

For the 9 months ended 30 September 2005, Siam Food Products Public Company Limited ("Siam Food"), a listed associate of the Group, reported revenues of Baht 1.7 billion (2004: Baht 1.7 billion) and net profit of Baht 4.5 million (2004: loss of Baht 5.1 million). As an associate company of the Group, Siam Food contributed a small profit of HK\$0.1 million for the six months ended 30 September 2005 (2004: loss of HK\$1.4 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 30 September 2005, 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 22.7% (March 2005: 24.8%) and the net debt (net of cash and cash equivalent) to shareholders' fund ratio was 17.8% (March 2005: 17.9%).

## **PROSPECTS**

During the period, the Group has made a number of new property investments and all of these new projects are progressing in accordance to plan. Going forward, the Group plans to enhance its existing portfolio of assets while continuing to look selectively for attractive real estate and hotels investments in the region.

## **EMPLOYEES**

As at 30 September 2005, the number of salaried staff not including associates was 17 (March 2005: 15). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.

## **DISCLOSURE OF DIRECTORS' INTERESTS**

As at 30 September 2005, 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 the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

**Long position in shares of the Company**

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

*Notes:*

1. Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.
2. Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,453,375 shares.
3. Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.
4. Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 27,537,243 shares.

**Long position in underlying shares of the Company**

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

**Long position in shares of associated companies**

<b>Name of Company</b>	<b>Name of Director</b>	<b>No. of shares held by controlled corporation</b>	<b>Percentage of issued share capital</b>
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.

Saved as disclosed above, as at 30 September 2005, 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 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 of Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

## DISCLOSURE OF SHAREHOLDERS' INTERESTS

As at 30 September 2005, according to the register of interests in long and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO and so far as the Directors were aware, the following persons had a long or short position 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:

### Long position in shares of the Company

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

Saved as disclosed above, there was no other persons (other than the Directors of the Company) who, as at 30 September 2005, was recorded in the register of interests in long positions and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO.

## **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.

## **AUDIT COMMITTEE**

The Audit Committee comprises the three Independent Non-executive Directors, including Dr. Charles Wai Bun Cheung, J.P., The Hon. Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip. The Committee has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2005 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

## **REMUNERATION COMMITTEE**

The Company has set up a Remuneration Committee in accordance with the relevant requirements of the Listing Rules. The Committee is composed of three Independent Non-executive Directors, namely Dr. Charles Wai Bun Cheung, J.P., The Hon. Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip and an Executive Director, Mr. Kenneth Gaw. The Remuneration Committee is established with the purpose of reviewing and formulating the remuneration policy and structure for the Directors and senior management of the Company with reference to corporate goals and objectives.

## **CORPORATE GOVERNANCE**

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005 except that the Independent Non-executive Directors have no specific term of office but are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-Laws. According to the Bye-Laws of the Company, at every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. The Directors to retire on each occasion shall be those who have been longest in office since their last election. Accordingly, no Director has a term of appointment longer than three years.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the period ended 30 September 2005.

## **APPRECIATION**

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

By Order of the Board  
**Kenneth Gaw**  
*Managing Director*

Hong Kong, 7 December 2005