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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Pioneer Global Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**Pioneer**  
**PIONEER GLOBAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 00224)**

**MAJOR TRANSACTION**  
**ACQUISITION OF PROPERTY AT CITY GARDEN PODIUM**

**&**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF PROPERTY AT GREAT EAGLE CENTRE**

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Pioneer Global Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples’ Republic of China
“Latest Practicable Date”	3 June 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contain in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Party II”	Asia Asset Limited, a company incorporated in Samoa with limited liability, which is wholly and beneficially owned by Madam Tjong Wei. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Asia Asset Limited and Madam Tjong Wei are third parties independent of and not connected with the Company or its connected persons. Asia Asset Limited is specialized in real estate appraisal, consultancy and investment in Hong Kong and China
“Pioneer Building”	Pioneer Building, 213 Wai Yip Street, Kwun Tong, Kowloon, an investment property of the Group
“Properties”	Property A, Property B and Property C

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## DEFINITIONS

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“Property A”	Units 47 & 59 on the 1st floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong
“Property B”	Units 1 & 87 on the 1st floor, units 1 & 2 on the ground floor and units 9 & 10 on the basement floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong
“Property C”	Units 1-8, 11-34B, 36A-36B & 38-45 on the basement floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong
“Property D”	Units 8-11 on the 18th floor, Great Eagle Centre, No. 23 Harbour Road, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Vendor D”	Nedcor Asia Limited, a wholly owned subsidiary of Nedcor Group and a leading financial institution in South Africa, which is a third party independent of and not connected with the Company or its connected persons
“Vendors”	vendors of Property A, Property B and Property C, namely, Extra Success International Limited, Reiphon Development Limited and Vicent Limited.

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LETTER FROM THE BOARD

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Pioneer  
**PIONEER GLOBAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 00224)**

*Executive Directors:*

Rossana Wang Gaw (*Chairman*)

Goodwin Gaw (*Vice Chairman*)

Kenneth Gaw (*Managing Director*)

Jane Kwai Ying Tsui

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Independent non-executive Directors:*

Dr. Charles Wai Bun Cheung, J.P.

The Hon. Bernard Charnwut Chan

Arnold Tin Chee Ip

*Principal place of business and  
head office in Hong Kong:*

Suites 01-03, 30th Floor

Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

6 June 2005

*To Shareholders*

Dear Sir/Madam,

**MAJOR TRANSACTION  
ACQUISITION OF PROPERTY AT CITY GARDEN PODIUM  
&  
DISCLOSEABLE TRANSACTION  
ACQUISITION OF PROPERTY AT GREAT EAGLE CENTRE**

**INTRODUCTION**

On 18 February 2005, the Company announced that its wholly owned subsidiaries had entered into the following transactions:

**1. Major Transaction**

Supreme Success Limited, a wholly owned subsidiary of the Company, had entered into provisional agreements dated 2 and 3 February 2005 to acquire various retail property units on

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## LETTER FROM THE BOARD

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the 1st floor, ground floor and the basement floor of the podium of City Garden from three different independent third parties involving a total consideration of HK\$106.6 million in cash. Service fee of HK\$11.1 million was payable to Party II as project consultant assisting Supreme Success Limited in the property acquisition pursuant to an agreement dated 2 February 2005.

The acquisition of the Properties shall enable the Group to own a total gross floor area of 63,840 sq.ft. retail space, including all units on the basement floor, of the podium of blocks 1, 2 & 3, City Garden. The aforesaid transactions on an aggregate basis constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules and are subject to approval from shareholders.

However, no shareholders' meeting will be convened as a written approval was obtained from a closely allied group of shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at general meeting to approve the transaction and such shareholders and their respective associates have no interest in the provisional agreements and transactions which is different from other shareholders of the Company. No other shareholders and their associates have any interest in the transactions that is different from other shareholders of the Company.

### **2. Discloseable Transaction**

Anpona Investments Limited, a wholly owned subsidiary of the Company, had entered into an agreement dated 4 February 2005 to acquire office units on the 18th floor of Great Eagle Centre from Vendor D, another independent third party at a consideration of HK\$34 million in cash. The transaction contemplated under the agreement constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

The purpose of this circular is to provide shareholders with details of the agreements and certain information of the Group in compliance with the requirements of Chapter 14 of the Listing Rules.

### **MAJOR TRANSACTION: ACQUISITION OF PROPERTY AT CITY GARDEN PODIUM**

Supreme Success Limited, a wholly owned subsidiary of the Company, entered into three (3) provisional agreements to purchase various retail property units on the 1st floor, the ground floor and the basement floor of the podium of City Garden and a service agreement ("Service Agreement") to arrange for the acquisition.

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## LETTER FROM THE BOARD

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### Property A

- Date of the provisional agreement: 2 February 2005
- Vendor: Extra Success International Limited, a company incorporated in British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Zhong Dachang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Extra Success International Limited and its ultimate beneficial owner are third parties independent of and not connected with the Company or its connected persons
- Purchaser: Supreme Success Limited, a wholly owned subsidiary of the Company
- Property: Units 47 & 59 on the 1st floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong
- Consideration: HK\$23.6 million payable in cash
- Deposit: HK\$1 million upon signing of provisional agreement and HK\$4.7 million on 17 February 2005 (The remaining consideration was paid on 8 April 2005.)
- Conditions for completion:
- (a) Execution of formal agreements to purchase Property B and Property C;
  - (b) Good title is given for each of Property A, Property B and Property C; and
  - (c) Relevant bank consent on mortgage discharge of Property C
- Date of completion: On 2 March 2005 or 5 days following fulfillment of the above conditions
- (The conditions for completion had been fulfilled and the acquisition was completed on 8 April 2005)

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## LETTER FROM THE BOARD

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Property A has a total gross floor area of approximately 11,818 sq.ft. (2 units in total) with an average price of HK\$2,000 per sq.ft. and was delivered in vacant possession on the date of completion. The gross floor area of unit 47 and unit 59 of Property A is 6,768 sq.ft. and 5,050 sq.ft. respectively.

Property A was subject to a Mortgage dated 15 January 2004 in favour of Bank of China (Hong Kong) Limited and an Agreement for Sale and Purchase dated 24 November 2004 in favour of Extra Success International Limited. The Mortgage was released on 8 April 2005.

The vendor confirmed that it would not provide valuation nor financial information (including profit and loss account) of Property A. Based on the information obtained by the Company from the Land Registry, no tenancy in relation to Property A has been registered during the last three financial years ended 31 March 2005 of the Company and up to the Latest Practicable Date. Based on the land search results carried out at the Land Registry during the period starting from 2000 to the Latest Practicable Date, no tenancy agreement subsisting during the three financial years ended 31 March 2005. The net profits or losses attributable to Property A for the three preceding financial years are not available from the vendor.

The previous owner of Property A was Kwok Kee Metal Work Limited, a company incorporated in Hong Kong with limited liability with Chu Yum Cheung and Chan Lau Mei as its shareholders according to the records from the Companies Registry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, they are third parties independent of and not connected with the Company or its connected persons. Kwok Kee Metal Work Limited entered into an agreement to sell Property A to Extra Success International Limited on 24 November 2004. The total consideration was HK\$11,463,460 and the acquisition was completed on 8 April 2005. Based on the search results from the Land Registry available to the Company, Kwok Kee Metal Work Limited has held Property A since January 2004.

### **Property B**

Date of the provisional agreement: 2 February 2005

Vendor: Reiphon Development Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Mr. Tang Kim Kwan. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Reiphon Development Limited and its ultimate beneficial owner are third parties independent of and not connected with the Company or its connected persons. Based on the search results from the Land Registry available to the Company, Reiphon Development Limited has held Property B since January 1994

Purchaser: Supreme Success Limited, a wholly owned subsidiary of the Company

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## LETTER FROM THE BOARD

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Property:	Units 1 & 87 on the 1st floor, units 1 & 2 on the ground floor and units 9 & 10 on the basement floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong
Consideration:	HK\$50 million payable in cash
Deposit:	HK\$1 million upon signing of provisional agreement and HK\$4 million on 17 February 2005 (The remaining consideration was paid on 7 April 2005.)
Conditions for completion:	Execution of formal agreements to purchase Property A and Property C
Date of completion:	On or before 7 April 2005  (The conditions for completion had been fulfilled and the acquisition was completed on 7 April 2005)

Property B has a total gross floor area of approximately 18,115 sq.ft. (6 units in total) with an average price of HK\$2,760 per sq.ft.. The gross floor area of units in Property B ranges from 1,719 sq.ft. to 3,969 sq.ft.

On the date of completion, the 2 units on the 1st floor and portion of the 2 units on the ground floor with total gross floor area of approximately 10,212 sq.ft. were delivered with existing tenancies and the 2 units on the basement floor and portion of the 2 units on the ground floor with total gross floor area of approximately 7,903 sq.ft. were delivered in vacant possession. Information on existing tenancies is listed out in note (6) of the valuation certificate of Appendix I in this circular.

The vendor confirmed that it would not provide valuation nor financial information (including profit and loss account) of Property B except for the existing tenancies. Accordingly, the Company only obtained copies of the relevant existing tenancy agreements from such vendor. Based on the information obtained from the Land Registry and copies of the existing tenancy agreements from the vendor, units of Property B delivered with existing tenancies generated rental revenue of HK\$0.6 million for the year ended 31 March 2003, HK\$0.9 million for the year ended 31 March 2004 and HK\$1.7 million for the year ended 31 March 2005. The net profits or losses attributable to Property B for the three preceding financial years are not available from the vendor.

### Property C

Date of the provisional agreement:	3 February 2005
Vendor:	Vicent Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned by Mr. Kwong King Wah and Mr. Leung Cheuk Lam. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vicent Limited and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. Based on the search results from the Land Registry available to the Company, Vicent Limited has held Property C since June 1993

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## LETTER FROM THE BOARD

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Purchaser:	Supreme Success Limited, a wholly owned subsidiary of the Company
Property:	Units 1-8, 11-34B, 36A-36B & 38-45 on the basement floor of the podium of blocks 1, 2 & 3, City Garden, No. 233 Electric Road, Hong Kong. There are no units 35, 36 and 37 in the floor plan of the basement of the aforesaid property
Consideration:	HK\$33 million payable in cash
Deposit:	HK\$1 million upon signing of provisional agreement and HK\$3.9 million on 7 February 2005 (The remaining consideration was paid on 30 March 2005.)
Conditions for completion:	(a) Execution of formal agreements to purchase Property A and Property B; and  (b) Relevant bank consent on mortgage release
Date of completion:	On or before 21 July 2005  (The conditions for completion had been fulfilled and the acquisition was completed on 30 March 2005)

Property C has a total gross floor area of approximately 33,907 sq.ft. (43 units in total) with an average price of HK\$973 per sq.ft.. The gross floor area of units in Property C range from 200 sq.ft. to 6,870 sq.ft..

On the date of completion, 35 units on the basement floor with total gross floor area of 26,865 sq.ft. were delivered with existing tenancies and 8 units on the basement floor with total gross floor area of 7,042 sq.ft. were delivered in vacant possession. Information on existing tenancies is listed out in note (6) of the valuation certificate of Appendix I in this circular.

Property C was subject to a legal charge to secure general banking facilities dated 18 March 1995 in favour of Union Bank of Hong Kong Limited. The legal charge was released on 30 March 2005. Units 1 to 4 on Basement of Property C are subject to a Memorandum of Outstanding Management Fees and other Charges dated 13 April 2000 in favour of Hsin Chong Real Estate Management Limited. The amount of outstanding management fees and charges amounted to HK\$534,571.42, was fully settled by the vendor upon completion of acquisition.

The vendor confirmed that it would not provide valuation nor financial information (including profit and loss account) of Property C except for the existing tenancies. Accordingly, the Company only obtained copies of the relevant existing tenancy agreements from such vendor. Based on the information obtained from Land Registry and copies of the existing tenancy agreements from the vendor, certain units of Property C generated rental revenue of HK\$0.9 million for the year ended 31 March 2003, and HK\$0.8 million for the year ended 31 March 2004 and HK\$1.7 million for the year ended 31 March 2005. The net profits or losses attributable to Property C for the three preceding financial years are not available from the vendor.

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## LETTER FROM THE BOARD

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### Service Agreement

- Date of the agreement: 2 February 2005
- Party I: Supreme Success Limited, a wholly owned subsidiary of the Company
- Party II: Asia Asset Limited is a company incorporated in Samoa on 23 November 2004 with limited liability and which is beneficially owned by Madam Tjong Wei. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, they are third parties independent of and not connected with the Company or its connected persons. Asia Asset Limited is specialized in appraisal, consultancy and investment of real estates in Hong Kong and China.
- Engagement: Party II was mandated as project consultant to assist Supreme Success Limited in purchasing of approximately 63,000 sq.ft. shopping space of podium of blocks 1, 2 & 3, City Garden with the following requirements:
- (a) the shopping space acquired must include all the units on the basement floor;
  - (b) the units on basement floor must be delivered in vacant possession;
  - (c) the closing date must be on or before 30 September 2005;
  - (d) the total purchase cost of the space together with the service fee charged by Party II must not exceed HK\$117.7 million ("Mandated Cost");
  - (e) Party II warrants the retail usage of the space;
  - (f) Party II warrants no illegal structure existing within the shopping space and pays for removal costs, if any; and
  - (g) Party II shall engage licensed estate agency directly to arrange for introduction of Vendors and negotiation with Vendors. The estate agency fee shall be borne by Party II
- Service fee: A service fee of HK\$11.1 million determined by the difference between the Mandated Cost and the purchase costs of Property A, Property B and Property C payable to Party II in cash upon successful completion of the acquisition of Property A, Property B and Property C. Supreme Success Limited shall be responsible for legal fees and stamp duty of the acquisition.

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## LETTER FROM THE BOARD

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Party II does not have an estate agency licence in Hong Kong. The Company has obtained legal advice from K. C. Yung & Co, Solicitors & Notaries on 17 February 2005 that it is not unlawful for Supreme Success Limited to enter into the Service Agreement with Party II under the laws of Hong Kong. Moreover, this agreement was acknowledged by the Vendors. K. C. Yung & Co. has given and has not withdrawn its written consent to the issue of this circular with references to its advice and its name included herein in the form and context in which they are included.

### **REASONS AND BENEFITS FOR THE ACQUISITION OF PROPERTY AT CITY GARDEN PODIUM**

The principal business activities of the Group consist of investment and management of property and hotel, and investment in securities. The principal activity of each of the Vendors is real estate investment holding.

City Garden is a densely populated private housing estate located at the harbour front of North Point on the island of Hong Kong. The acquisition of Property A, Property B and Property C shall enable the Group to own a total gross floor area of 63,840 sq.ft. retail space, including all units on the basement floor, of the podium of blocks 1, 2 & 3, City Garden. At completion, the relevant Properties with the total gross floor area of 26,763 sq.ft. were delivered in vacant possession whilst the remaining Properties with the total gross floor area of 37,077 sq.ft. were delivered with existing tenancies. The price per sq.ft. varies significantly because the retail units are located on different floors of the podium. The objective of the acquisition is to generate rental revenue for the Group and to gain on the potential capital value growth of the Properties.

The aggregate consideration of property prices and service fees amounted to HK\$117.7 million which has been arrived at by reference to the market value, HK\$118 million of the three properties as at 2 February 2005 (updated on 8 March 2005) determined by an independent professional property valuer namely Knight Frank Hong Kong Limited. The Directors consider that the terms of the acquisition and the agreement with Party II had been negotiated on an arm's length basis, are fair and reasonable and is in the best interest of the Company and the shareholders as a whole. Acquisition of the Properties (including the service fee) were solely funded by bank financing secured by the Properties and general bank borrowings secured by Pioneer Building and will be accounted for as investment properties. All such bank borrowings were also guaranteed by the Company. Approximately 46% of the consideration was financed by bank loan repayable more than 1 year but not exceeding 5 years and approximately 54% of the consideration was financed by bank loans repayable within 1 year.

The effect of acquisition on the earnings of the Group could not be reliably estimated at the date of this circular. This can be illustrated by the fact that out of the total 51 units, 11 units of the Properties are the subject of six separate tenancies with terms expiring on dates ranging from 14 May to 31 August 2005 and 28 units which are the subject of two separate monthly tenancies terminable on one month notice. Based on the existing tenancies, the relevant Properties are expected to generate rental revenue of HK\$1.2 million (including HK\$0.8 million rental revenue from tenancies determinable on one or three months notice) for the year ended 31 March 2006. The impact on the assets, liabilities and net assets of the Group have been reflected in the proforma statement of assets and liabilities in section 8 of Appendix II in this circular.

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## LETTER FROM THE BOARD

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Based on the proforma statement of assets and liabilities in section 8 of Appendix II in this circular and assuming the acquisition of Properties A, B, C and D had taken place on 30 September 2004, the gearing ratio of the Group increased from 9% at 30 September 2004 to 29.5% as a result of the increase in bank financing for the acquisition of the Properties.

### MAJOR TRANSACTION AND APPROVAL BY SHAREHOLDERS

The Group intends to own substantial interests in the City Garden Podium. The acquisition of Property A, Property B and Property C shall enable the Group to own a total gross floor area of 63,840 sq.ft. retail space, including all units on the basement floor, of the podium of blocks 1, 2 & 3, City Garden. The aforesaid acquisition on an aggregate basis constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and must be made conditional on shareholders' approval. Pursuant to Rule 14.44(2), a written shareholders' approval was obtained on 7 February 2005 from the following closely allied group of shareholders who together hold 55.42% in nominal value of the securities giving the right to attend and vote at general meeting to approve the transaction:

- (1) Forward Investments Inc., wholly owned by the YCK Trust, a discretionary trust, of which Madam Y. C. Koo, the mother of Rossana Wang Gaw (an executive director of the Company) is the sole beneficiary, owns 181,388,105 shares (23.58%) of the Company
- (2) Asset-Plus Investments Ltd., wholly and beneficially owned by Winfred Ho and Elsa Wang Ho who are a married couple and respectively the brother-in-law and sister of Rossana Wang Gaw (an executive director of the Company), owns 68,076,076 shares (8.85%) of the Company
- (3) Intercontinental Enterprises Corporation, wholly owned by the KYC 1991 Trust, a discretionary trust, of which Rossana Wang Gaw (an executive director of the Company) is the sole beneficiary, owns 123,148,701 shares (16.01%) of the Company
- (4) Vitality Holdings Limited, wholly owned by Rossana Wang Gaw (an executive director of the Company), owns 15,934,364 shares (2.07%) of the Company
- (5) Rising Crescent Enterprises Limited, wholly owned by the RGK Trust, a discretionary trust, of which Kenneth Gaw, an executive director of the Company (the son of Rossana Wang Gaw, an executive director of the Company) is the sole beneficiary, owns 27,537,243 shares (3.58%) of the Company
- (6) Fortune South China Limited, wholly owned by Kenneth Gaw (an executive director of the Company), owns 8,453,375 shares (1.10%) of the Company
- (7) Kenneth Gaw (an executive director of the Company) owns 1,805,527 shares (0.23%) of the Company

The number of issued shares of the Company on 7 February 2005 was 769,359,104.

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## LETTER FROM THE BOARD

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The closely allied group of shareholders has been voting in the same way in all resolutions since they were shareholders of the Company. They have been shareholders of the Company for over 5 years. The most recent major transaction that was approved by written approval from these shareholders in lieu of shareholders approval at general meeting pursuant to Rule 14.44 of the Listing Rules was the formation of a joint venture announced by the Company on 25 May 2004. They are being regarded as “acting in concert” for the purpose of the Takeover Code. Except for the acquisition of assets from the Company by the closely allied group of shareholders in the major and connected transaction as announced by the Company on 13 January 2000, there has been no past or present business association among them.

Such shareholders and their respective associates have no interest in this major transaction which is different from other shareholders of the Company. The Company confirms that the closely allied group of shareholders and their ultimate beneficial owners and their respective associates have not dealt and are aware that they must not deal in the Company’s securities before information relating this transaction is made available to the public. None of the Vendors, Party II or their respective ultimate beneficial owners and associates hold any shares in the Company. No shareholder or his associates have any interest in the transaction which is different from other shareholders of the Company. No shareholder shall be required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction. A shareholders’ meeting will therefore not be convened for the purpose of obtaining shareholders’ approval.

### **INFORMATION FOR MAJOR TRANSACTION**

The Company acquainted with the Vendors via Party II. The Company confirms that to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Vendors and Party II and their ultimate beneficial owners are third parties independent of each other, Vendor D, the vendor in the acquisition of Paliburg Plaza and Kowloon City Plaza as announced by the Company on 25 May 2004 and their respective ultimate beneficial owners and the Company and its connected persons and do not hold any shares in the Company.

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF PROPERTY AT GREAT EAGLE CENTRE**

#### **Property D**

Date of the agreement:	4 February 2005
Purchaser:	Anpona Investments Limited, a wholly owned subsidiary of the Company
Vendor:	Nedcor Asia Limited is a wholly owned subsidiary of Nedcor Group, a leading financial institution in South Africa. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, they are third parties independent of and not connected with the Company or its connected persons

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## LETTER FROM THE BOARD

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Property:	Units 8-11 on the 18th floor, Great Eagle Centre, No. 23 Harbour Road, Hong Kong
Consideration:	HK\$34 million payable in cash
Payment terms:	HK\$3.4 million was paid to the vendor as deposit. Balance of the purchase price HK\$30.6 million shall be paid upon completion of the transaction on or before the date of completion.
Date of completion:	On or before 29 April 2005 (The acquisition was completed on 29 April 2005)

The property has a gross floor area of approximately 6,630 sq.ft. It was delivered in vacant possession on the date of completion. There were no rental revenue nor any other source of revenue generated by Property D for the last three financial years of the Company ended 31 March 2005 immediately preceding the agreement. Agent commission to FPD Savills (Hong Kong) Limited of HK\$0.2 million, legal fees and stamp duty were paid by the Company for the acquisition of Property D.

### **REASONS AND BENEFITS FOR THE ACQUISITION OF PROPERTY AT GREAT EAGLE CENTRE**

The principal business activities of the Group consist of investment and management of property and hotel, and investment in securities. The vendor is a financial institution.

The property is an office premise in a high-grade commercial building located at the harbour front of Wan Chai, Hong Kong. The objective of acquisition is to generate rental revenue for the Group.

The Directors confirm that the consideration for the property has been determined after arm's length negotiations between the parties with reference to recently completed market transactions of similar property within the estate in the last quarter of 2004. No independent valuation was carried out for the property. The Directors consider the terms of the agreement are fair and reasonable and in the best interest of the Company and shareholders as a whole. Acquisition of the property was solely funded by bank financing secured by Property D and general bank borrowings secured by Pioneer Building and will be accounted for as investment property. All such bank financing and bank borrowings were also guaranteed by the Company. Approximately 65% of the consideration was financed by bank loan repayable more than 1 year but not exceeding 5 years and approximately 35% of the consideration was financed by bank loans repayable within 1 year.

The effect of acquisition on the earnings of the Group could not be reliably estimated at the date of this circular because the property will be vacant upon possession. The impact on the assets, liabilities and net assets of the Group have been reflected in the proforma statement of assets and liabilities in section 8 of Appendix II in this circular. Based on the proforma statement of assets and liabilities in Section 8 of Appendix II in this circular and assuming the acquisition of Properties A, B, C and D had taken place on 30 September 2004, the Group's gearing ratio increased from 9% to 14.9% as a result of the increase in bank financing for the acquisition of Property D.

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## LETTER FROM THE BOARD

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### DISCLOSEABLE TRANSACTION OF THE COMPANY

The transaction contemplated under the agreement constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

### INFORMATION FOR DISCLOSEABLE TRANSACTION

The Company get acquainted with Vendor D through FPDSavills (Hong Kong) Limited, a real estate agent independent of the Company. The Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Nedcor Asia Limited and its ultimate beneficial owner, Nedcor Group, in the aforesaid discloseable transaction are third parties independent of the vendors of Property A, Property B and Property C, the vendor in the acquisition as announced by the Company in May 2004 and their respective ultimate beneficial owners and the Company and its connected persons and do not hold any shares in the Company.

Your attention is drawn to the information set out in the appendices in this circular.

Yours faithfully,  
For and on behalf of  
**Pioneer Global Group Limited**  
**Kenneth Gaw**  
*Managing Director*

*The following is the text of a letter and valuation certificate from Knight Frank Hong Kong Limited, an independent registered professional surveyor, in connection with their valuation as at 8 March 2005 of the Properties, prepared for the purpose of incorporation in this circular.*



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6 June 2005

The Directors  
Pioneer Global Group Limited  
Suites 3001-3, 30th Floor, Office Tower  
Convention Plaza  
No. 1 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property in Hong Kong (as per the attached valuation certificate) to be acquired by Pioneer Global Group Limited (the “Company”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 8 March 2005.

We have valued the property at its open market value which we would define as meaning “the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospectively purchaser with a special interest; and

- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

Our valuation has been made on the assumption that the owners sell the property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property.

We have generally valued the property by reference to comparable market transactions and where appropriate on the basis of capitalization of the net income shown on the schedules handed to us. In valuing those portions of the property which are vacant, we have adopted Direct Comparison Method by making reference to comparable sales transactions. For those portions of the property which are subject to existing tenancies, we have valued them by Investment Method whereby the current rents passing are capitalized for the residue of their tenancy terms, with reversionary interests to vacant possession deferred for the same periods. We have allowed for outgoings and in some cases made provisions for reversionary income potential.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, occupancies, lettings, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry. However, we have not scrutinised the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Our valuation is prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors and in compliance with Chapter 5 of the Listing Rules published by the Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**KNIGHT FRANK HONG KONG LIMITED**  
**Catherine Cheung**  
*MHKIS MRICS RPS(GP)*  
*Assistant Director*

Encl.

*Note:* Ms. Catherine Cheung has over ten years' experience in valuation of properties in Hong Kong and the Mainland.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 8 March 2005															
Units 1 to 34B, 36A, 36B and 38 to 45 on the portion of Basement, units 1 and 2 on the portion of Ground Floor and units 1, 47, 59 and 87 on the portion of First Floor; all of the Podium of Blocks 1, 2 and 3 of City Garden (all known as Maxi Mall), No. 233 Electric Road, North Point, Hong Kong.	<p>The property comprises a number of shop units located on the Basement, Ground Floor and First Floor of a 3-storey commercial podium on which 3 high-rise residential block are erected within a private residential development known as City Garden. The property was completed in about 1983 with subsequent renovation done to the commercial podium.</p> <p>The saleable areas of the property are approximately as follows:</p>	<p>With the exception of about 20,393 sq.ft. saleable area or about 37,077 sq.ft. gross floor area which are subject to eight tenancies (Note 6) with the latest tenancy expiring in August 2005 at total rent of approximately HK\$323,000 per month, the remaining portion of the property is vacant.</p>	HK\$118,000,000															
2,063/23,043rd of 2,541/100,180th shares of and in Inland Lot No. 8,580, 9,991/24,247th of 1,635/100,180th shares of and in Inland Lot No. 8580 and 1,135/100,180th shares of and in Inland Lot No. 8,580.	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Saleable Area (sq.ft.)</th> <th style="text-align: right;">Gross Floor Area (sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Units on Basement</td> <td style="text-align: right;">21,980</td> <td style="text-align: right;">40,326</td> </tr> <tr> <td>Units on Ground Floor</td> <td style="text-align: right;">2,108</td> <td style="text-align: right;">3,871</td> </tr> <tr> <td>Units on First Floor</td> <td style="text-align: right;">10,396</td> <td style="text-align: right;">19,643</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b><u>34,484</u></b></td> <td style="text-align: right;"><b><u>63,840</u></b></td> </tr> </tbody> </table>	Floor	Saleable Area (sq.ft.)	Gross Floor Area (sq.ft.)	Units on Basement	21,980	40,326	Units on Ground Floor	2,108	3,871	Units on First Floor	10,396	19,643	<b>Total:</b>	<b><u>34,484</u></b>	<b><u>63,840</u></b>		
Floor	Saleable Area (sq.ft.)	Gross Floor Area (sq.ft.)																
Units on Basement	21,980	40,326																
Units on Ground Floor	2,108	3,871																
Units on First Floor	10,396	19,643																
<b>Total:</b>	<b><u>34,484</u></b>	<b><u>63,840</u></b>																
	<p>The property is held under a Conditions of Exchange for a term of 75 years renewable for another 75 years commencing from 31 August 1914.</p> <p>The Government rent for the whole lot is HK\$7,676,722 per annum.</p>																	

*Notes:*

- (1) The registered owners of the property are as follows:
  - (i) Units 9 and 10 on Basement, units 1 and 2 on Ground Floor and units 1 and 87 on First Floor – Reiphon Development Limited;
  - (ii) Units 47 and 59 on First Floor – Kwok Kee Metal Work Limited which entered into an agreement to sell units 47 and 59 on First Floor to Extra Success International Limited on 24 November 2004. The total consideration shall be HK\$11,463,460 and the completion date shall take place on or before 10 May 2005;
  - (iii) Units 1 to 8, 11 to 34B, 36A, 36B and 38 to 45 on Basement Floor – Vicent Limited.
- (2) Units 47 and 59 on First Floor are subject to a Mortgage dated 15 January 2004 in favour of Bank of China (Hong Kong) Limited and an Agreement for Sale and Purchase dated 24 November 2004 in favour of Extra Success International Limited.

- (3) Units 1 to 8, 11 to 34B, 36A, 36B and 38 to 45 on Basement are subject to a Legal Charge to secure general banking facilities dated 18 March, 1995 in favour of Union Bank of Hong Kong Limited.
- (4) Units 1 to 4 on Basement are subject to a Memorandum of Outstanding Management Fees and other Charges dated 13 April 2000 in favour of Hsin Chong Real Estate Management Limited. The amount of outstanding management fees and charges amounted to HK\$534,571.42, will be fully settled by the vendor upon completion of acquisition.
- (5) The breakdown of the valuation to various portions are listed as follows:
- |   |                |
|---|----------------|
| (i) Units 9 and 10 on Basement, units 1 and 2 on Ground Floor and units 1 and 87 on First Floor | HK\$55,000,000 |
| (ii) Units 47 and 59 on First Floor   | HK\$24,500,000 |
| (iii) Units 1 to 8, 11 to 34B, 36A, 36B and 38 to 45 on Basement Floor                          | HK\$38,500,000 |
- (6) Tenancy details:
- (i) Shop 1B on Ground Floor, having a gross floor area of about 662 sq.ft., is let for 1 year from 21 July 2004 to 20 July 2005 at HK\$18,000 per month exclusive of rates and management fee.
- (ii) Shop 2 on Ground Floor, having a gross floor area of about 1,725 sq.ft., is let for 2 years from 1 January 2004 at HK\$65,000 per month for the period from 1 January 2004 to 30 June 2004 and thereafter at HK\$68,000 per month exclusive of rates and management fee. The tenant has already confirmed in writing to terminate the aforesaid tenancy with effect from 30 June 2005.
- (iii) Shops 1 and 87 on First Floor, having a gross floor area of about 7,825 sq.ft., are let for 3 years from 15 May 2002 at HK\$60,000 per month exclusive of rates and management fee.
- (iv) Nos. 1 to 4 on Basement, having a gross floor area of about 4,480 sq.ft., are let for 2 years from 15 August 2003 at HK\$52,000 per month inclusive of rates, air-conditioning and management charges and subject to 3-month notice for early termination.
- (v) Nos. 12 to 21, 24 to 31, 32 to 33, 34A to 34B, 36A to 36B and 38 to 39 on Basement, having a gross floor area of about 11,523 sq.ft., are let on monthly basis at HK\$65,000 per month inclusive of rates, air-conditioning and management charges and subject to 1-month notice for early termination.
- (vi) Nos. 7 & 8 on Basement, having a gross floor area of about 3,570 sq.ft., are let for 1 year from 1 September 2004 at HK\$45,000 per month inclusive of rates, air-conditioning and management charges and subject to 1-month notice for early termination.
- (vii) No. 40 on Basement, having a gross floor area of about 6,870 sq.ft., is let for 1 year from 1 September 2004 at HK\$10,000 per month inclusive of rates, air-conditioning and management charges and subject to 1-month notice for early termination.
- (viii) Nos. 22-23 on Basement, having a gross floor area of about 422 sq.ft., are let on monthly basis at HK\$5,000 per month inclusive of rates, air-conditioning and management charges and the agreement is not in writing.
- (7) As per the formal agreements for sale and purchase provided by the Company in regards to the occupancy of the basement units, most of these units, though subject to various tenancies, are able to have such tenancies early terminated by serving 1 or 3 months' notice. According to the formal agreements for sale and purchase, with the exception of those tenancies described in the column under "Particulars of occupancy" and note (6) above, the remaining units are vacant.

**1. INDEBTEDNESS**

At the close of business on 31 March 2005, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings from banks of approximately HK\$165.2 million comprising short term secured loans of approximately HK\$143.7 million and long term loan of approximately HK\$21.5 million, not guaranteed by any party outside the Group. The Group also had contingent liabilities of approximately HK\$0.3 million comprising a guarantee for payment of drawn banking facilities to an associate of the Group amounting to approximately HK\$0.1 million and guarantee given to a banker in lieu of utility deposits amounting to approximately HK\$0.2 million in respect of Pioneer Estates Limited, a wholly owned subsidiary of the Company.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2005 any issued and outstanding or authorised to be issued or otherwise created but unissued debt securities or loan capital, other borrowings or indebtedness in the nature of borrowings of the Group including guaranteed, unguaranteed, secured and unsecured bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 31 March 2005.

**2. WORKING CAPITAL**

The Directors are of the opinion that taking into account the Group's available facilities from financial institutions and internal resources, the Group has sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this circular.

**3. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2004, being the date up to which the latest published audited consolidated financial statements of the Group were made. The Directors are also of the view that the working capital available for the Group is sufficient.

## 4. OTHER FINANCIAL INFORMATION

For the purpose of acquisition of Properties A, B, C and D, the Group obtained the following bank borrowings:

	<b>Bank borrowings obtained</b>		<b>Total</b>
	<b>Before</b>	<b>After</b>	
	<b>31 March</b>	<b>31 March</b>	
	<b>2005</b>	<b>2005</b>	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
For the acquisition of Properties A, B and C:			
Secured bank loans*			
– repayable within one year	22.2	41.5	63.7
– repayable more than one year but not exceeding five years	21.5	32.5	54.0
	<u>43.7</u>	<u>74.0</u>	<u>117.7</u>
For the acquisition of Property D:			
Secured bank loans*			
– repayable within one year	3.4	8.5	11.9
– repayable more than one year but not exceeding five years	–	22.1	22.1
	<u>3.4</u>	<u>30.6</u>	<u>34.0</u>

\* not guaranteed by any party outside the Group

## 5. EXTRACT OF THE FINANCIAL STATEMENTS

The following financial information is a reproduction of the relevant information extracted from the audited financial statements of the Group for three years ended 31 March 2004 as published in the respective 2004 and 2003 annual reports and the interim report of the Group for six months ended 30 September 2004. There were no qualified or modified opinions in the auditors' report for three years ended 31 March 2004.

In respect of the notes to the following financial statements, references to note numbers are the note numbers of the audited financial statements of the Group for the year ended 31 March 2004.

## CONSOLIDATED PROFIT &amp; LOSS ACCOUNT

	notes	6 months ended 30 September		For the year ended 31 March		
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Audited) HK\$'000	2003 (Audited) HK\$'000	2002 (Audited) HK\$'000
Turnover of Company and subsidiaries	2	16,653	19,913	35,518	42,264	49,256
Properties operating expenses		(2,099)	(1,945)	(3,744)	(5,462)	(3,970)
Purchases for resale		(337)	(705)	(1,286)	(1,966)	(4,200)
Staff costs		(4,256)	(6,343)	(11,039)	(18,151)	(25,063)
Depreciation & amortisation		(307)	(392)	(822)	(1,021)	(1,113)
Other operating expenses		(1,940)	(2,219)	(5,034)	(6,191)	(6,875)
		(8,939)	(11,604)	(21,925)	(32,791)	(41,221)
Operating profit	2	7,714	8,309	13,593	9,473	8,035
Share of profits and (losses) of associates						
Listed		(1,446)	1,310	7,017	7,891	7,032
Unlisted		3,027	(121)	5,062	(12,144)	(26,444)
Finance costs	3a	9,295	9,498	25,672	5,220	(11,377)
Net profit/(loss) on disposal of assets less impairment provisions	3c	(458)	(1,328)	(2,336)	(2,692)	(586)
Taxation	4	15,071	1,580	3,393	1,860	(41,293)
		23,908	9,750	26,729	4,388	(53,256)
Minority interests		(479)	(672)	(3,645)	(2,687)	(2,126)
		23,429	9,078	23,084	1,701	(55,382)
		(92)	(337)	(1,218)	897	1,844
Profit/(loss) attributable to shareholders		23,337	8,741	21,866	2,598	(53,538)
Earnings/(loss) per share (HK cents)	6	3.12	1.17	2.92	0.35	(7.11)
Final dividend (proposed) per share (HK cents)	7	0.50	–	1.00	–	–

## CONSOLIDATED BALANCE SHEET

	<i>notes</i>	30 September 2004		At 31 March	
		(Unaudited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Non-current assets					
Fixed assets	9	172,522	192,437	242,197	252,802
Listed associate	10	50,537	55,032	47,119	41,613
Unlisted associates	11	206,028	204,229	153,783	114,970
Investment securities	12	147,178	108,456	108,456	108,456
Other investments	12	8,999	7,383	5,061	4,242
		<u>585,264</u>	<u>567,537</u>	<u>556,616</u>	<u>522,083</u>
Current assets					
Debtors, advances & prepayments	14	11,633	4,957	6,810	7,529
Other investments	12	18,294	38,603	20,396	16,456
Cash and bank balances		28,945	18,914	53,919	62,088
		<u>58,872</u>	<u>62,474</u>	<u>81,125</u>	<u>86,073</u>
Current liabilities					
Creditors & accruals	15	(11,656)	(13,049)	(15,207)	(12,378)
Secured bank loans & overdrafts	16	(51,800)	(51,729)	(64,400)	(33,623)
Taxation		(2,154)	(1,962)	(1,144)	(992)
		<u>(65,610)</u>	<u>(66,740)</u>	<u>(80,751)</u>	<u>(46,993)</u>
Net current (liabilities)/assets		<u>(6,738)</u>	<u>(4,266)</u>	<u>374</u>	<u>39,080</u>
Total assets less current liabilities		578,526	563,271	556,990	561,163
Non-current liabilities					
Secured bank loan	16	–	–	(21,600)	(22,800)
Deferred taxation	17	(2,500)	(2,554)	(2,211)	–
		<u>(2,500)</u>	<u>(2,554)</u>	<u>(23,811)</u>	<u>(22,800)</u>
Minority interests		<u>(1,518)</u>	<u>(2,134)</u>	<u>(1,241)</u>	<u>(2,517)</u>
Net assets		<u>574,508</u>	<u>558,583</u>	<u>531,938</u>	<u>535,846</u>
Capital & reserves					
Share capital	18	74,895	74,898	74,898	74,948
Reserves	19	499,613	483,685	457,040	460,898
Shareholders' funds		<u>574,508</u>	<u>558,583</u>	<u>531,938</u>	<u>535,846</u>

## BALANCE SHEET

At 31 March

	<i>notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Non-current assets				
Subsidiary companies	<i>13</i>	444,036	488,031	487,661
Unlisted associates	<i>11</i>	<u>38,978</u>	<u>–</u>	<u>–</u>
		<u>483,014</u>	<u>488,031</u>	<u>487,661</u>
Current assets				
Debtors, advances & prepayments		517	617	327
Other investments		34,697	15,834	11,447
Cash and bank balances		<u>14,670</u>	<u>51,035</u>	<u>58,474</u>
		<u>49,884</u>	<u>67,486</u>	<u>70,248</u>
Current liabilities				
Creditors & accruals		(1,371)	(630)	(645)
Secured bank loan		(9,129)	(31,200)	(31,200)
Taxation		<u>(17)</u>	<u>(17)</u>	<u>–</u>
		<u>(10,517)</u>	<u>(31,847)</u>	<u>(31,845)</u>
Net current assets		<u>39,367</u>	<u>35,639</u>	<u>38,403</u>
Net assets		<u><u>522,381</u></u>	<u><u>523,670</u></u>	<u><u>526,064</u></u>
Capital & reserves				
Share capital	<i>18</i>	74,898	74,898	74,948
Reserves	<i>19</i>	<u>447,483</u>	<u>448,772</u>	<u>451,116</u>
Shareholders' funds		<u><u>522,381</u></u>	<u><u>523,670</u></u>	<u><u>526,064</u></u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March

	<i>notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Cash flows from operating activities				
Profit/(loss) before taxation		26,729	4,388	(53,256)
Exchange adjustment		237	(29)	316
Share of net (profits)/losses of associates		(12,079)	4,253	19,412
Net (profit)/loss on disposal of assets less impairment provisions		(3,393)	(1,860)	41,293
Depreciation and amortisation		822	1,021	1,113
Provision for long service payments		339	700	140
Interest income		(3,231)	(3,704)	(1,878)
Interest expenses		2,336	2,692	586
Investment income				
– listed		(2,021)	(1,571)	(3,384)
– unlisted		(858)	(429)	(429)
Decrease in debtors, advances and prepayments		1,674	1,235	316
(Decrease)/increase in creditors and accruals		(299)	905	239
		<u>10,256</u>	<u>7,601</u>	<u>4,468</u>
Cash generated from operations				
Hong Kong profits tax (paid)/refunded		(893)	(316)	435
Overseas profits tax paid		(273)	(288)	(955)
		<u>9,090</u>	<u>6,997</u>	<u>3,948</u>
Net cash inflow from operating activities				
Cash flows from investing activities				
Interest received		3,290	3,458	1,868
Dividends received from:				
Investment securities		1,770	949	3,151
Other investments		1,109	1,051	662
Listed associate		2,728	2,459	–
Purchase of fixed assets		(1,150)	(161)	(43,725)
Proceeds on disposal of fixed assets		56,271	3	301
Investment in unlisted associates		(516)	(18,768)	(20,415)
Capital repayment from an unlisted associate		1,694	945	210
Net advances to unlisted associates		(53,673)	(33,528)	(1,080)
Proceeds on disposal of other investments		5,882	12,595	50,925
Purchase of other investments		(24,618)	(17,613)	(63,300)
Recovery of receivables previously provided for		–	5,850	390
		<u>(7,213)</u>	<u>(42,760)</u>	<u>(71,013)</u>
Net cash used in investing activities				

**APPENDIX II**
**FINANCIAL INFORMATION**

		<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from financing activities				
Interest paid		(2,311)	(2,692)	(586)
Shares repurchased		–	(157)	(976)
Distributions to minority shareholders		(324)	(379)	(144)
Bank loans (repaid)/raised	23(b)	(22,800)	(1,200)	22,800
Other bank loan raised		–	–	1,200
		<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used in)/generated from financing activities		<u>(25,435)</u>	<u>(4,428)</u>	<u>22,294</u>
Net decrease in cash and cash equivalents				
		(23,558)	(40,191)	(44,771)
Cash and cash equivalents at the beginning of the year		(9,281)	29,665	74,397
Reclassification to creditors and accruals		–	1,219	–
Effect of foreign exchange rate changes		24	26	39
		<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the year		<u><u>(32,815)</u></u>	<u><u>(9,281)</u></u>	<u><u>29,665</u></u>
Analysis of the balances of cash and cash equivalents				
Bank balances, cash and deposits placed with banks of up to three months' maturity		18,914	53,919	62,088
Bank overdraft and loans repayable up to three months	23(a)	(51,729)	(63,200)	(32,423)
		<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the year		<u><u>(32,815)</u></u>	<u><u>(9,281)</u></u>	<u><u>29,665</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

		<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 April		534,149	535,846	584,362
Effect of adopting SSAP12 (Revised)		<u>(2,211)</u>	<u>(1,773)</u>	<u>–</u>
Total equity at 1 April as restated		<u>531,938</u>	<u>534,073</u>	<u>584,362</u>
Exchange adjustment of:				
– associates	<i>19</i>	4,602	1,946	(59)
– subsidiaries	<i>19</i>	378	148	691
Surplus/(deficit) on revaluation of investment properties		<u>1,000</u>	<u>(9,700)</u>	<u>(11,292)</u>
Net gains/(losses) not recognised in the profit and loss account		5,980	(7,606)	(10,660)
Profit/(loss) for the year		21,866	2,598	(53,538)
Reserves realised on disposal of investment properties		(1,201)	–	–
Goodwill included in reserves written off		–	3,030	16,658
Shares repurchased		<u>–</u>	<u>(157)</u>	<u>(976)</u>
Total equity at 31 March		<u><u>558,583</u></u>	<u><u>531,938</u></u>	<u><u>535,846</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 March 2004*

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation of Financial Statements**

These financial statements are prepared under historical cost convention as modified by the revaluation of investment properties and the valuation to fair value of other investments, and in accordance with accounting principles generally accepted in Hong Kong including Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, and with the disclosure requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance.

In the current year, the Group has adopted the SSAP 12 (Revised) effective for accounting periods commencing on or after 1 April 2003. The principal effect of the SSAP 12 (Revised) is in relation to deferred taxation. Details of the accounting policy and its effect are set out in note (1)(l) to the financial statements.

**(b) Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year together with the Group’s share of the net assets and post-acquisition results of the associated companies using the equity method of accounting.

**(c) Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group’s share of the fair values ascribed to the identifiable assets and liabilities as at the date of acquisition.

In accordance with SSAP 30, goodwill arising on acquisition occurring on or after 1 April 2001 is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

Goodwill arising on acquisitions previously written off to reserves in the year prior to 1 April 2001 remains eliminated against reserves with subsequent review of impairment.

**(d) Subsidiaries**

A subsidiary is an entity over which the Company has direct or indirect control. In the case of limited companies, control means the continuing ability to exercise more than half of the voting rights or to appoint a majority of the directors. In the case of partnerships, control means the continuing ability to exercise more than half of the voting rights or to appoint the general partner.

The Company’s interests in subsidiaries are stated at cost less provision for impairment losses.

**(e) Associates**

An associate is an entity, other than a subsidiary, over which the Group has the ability to exercise significant influence, including participation in financial and operating policy decisions.

Investments in associates are stated in the consolidated balance sheet at the Group’s share of the net assets less provision for impairment losses and in the balance sheet of the Company at cost less provision for impairment losses.

**(f) Fixed Assets and Depreciation***(1) Investment properties*

Properties which are intended to be held for long-term rental income purposes are classified as investment properties. Investment properties are revalued annually by independent professional valuers on an open market value basis. Changes in the value of investment properties are dealt with in the investment properties valuation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. On disposal of a revalued investment property, the relevant revaluation surplus or deficit is transferred to the profit and loss account.

*(2) Other fixed assets*

Other fixed assets are stated at cost less depreciation less provision for impairment losses.

*(3) Depreciation*

Depreciation is calculated to write off the cost or valuation of assets over their estimated useful lives on the following bases:

Investment properties	Nil
Other assets	10-30% p.a. reducing balance method

**(g) Investment Securities**

Investment securities are securities which are intended to be held on a continuous basis, for example for strategic reasons or to cement commercial relationships.

Investment securities are stated at cost less provision for impairment losses.

**(h) Other Investments**

Other investments are securities, other than investments in subsidiaries, associates and investment securities, the accounting policies for which are disclosed above. Other investments intended by the directors to be held for more than one year are classified as non-current assets and other investments intended by the directors to be held for less than one year are classified as current assets. Other investments are stated at fair value as at the balance sheet date, those listed on a stock exchange being based on the quoted market price of each investment at the balance sheet date, and those unlisted being stated at fair value as estimated by the directors. Changes in fair value are recognised in the profit and loss account as they arise.

**(i) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(j) 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.

**(k) Foreign Currencies**

Transactions in foreign currencies during the period are translated at exchange rates ruling at transaction dates. Monetary assets and liabilities in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong Dollars at exchange rates ruling at the balance sheet date.

Differences on foreign currency translation are dealt with in the profit and loss account except that differences arising from the translation of overseas subsidiaries and associates are taken directly to the exchange reserve.

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

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

The main exchange rates used at the balance sheet date are:

US\$1.00 = HK\$7.80	(2003: HK\$7.80)
Baht 100 = HK\$19.83	(2003: HK\$18.19)

**(l) Deferred Taxation**

Pursuant to the SSAP 12 (Revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted by the balance sheet are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

In prior year, deferred taxation was accounted for using the liability method in respect of timing differences which were expected with reasonable probability to crystallise in the foreseeable future. The adoption of the SSAP 12 (Revised) represents a change in accounting policy which has been applied retrospectively, and the comparatives amounts have been restated accordingly.

This change in accounting policy has resulted in prior period adjustments to the opening balance of retained earnings as at 1 April 2003 which has been restated and decreased by HK\$2,206,000 (1 April 2002: HK\$1,773,000), and to the opening balance of the exchange reserve which has been restated and reduced by HK\$5,000 (1 April 2002: Nil).

**(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 recognised when the services are rendered.

*(3) Dividend income*

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

*(4) Interest income*

Interest income is recognised on a time proportion basis.

(5) *Sales of investments*

Profits and losses on sales of investments are recognised when the transaction is completed and represent the difference between the estimated net proceeds and the carrying amount of the investments.

**(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 recognised in the profit and loss account when incurred.

(2) *Long service payments*

Certain of the Group's employees have completed the required number of years of service in order to be eligible for long service payments under the Employment Ordinance in the event of termination of their employment, including retirement. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

The Group has had and continues to maintain a provision in respect of probable future long service payments expected to be made. The provision is based on an estimate of future payments which have been earned by the employees, including executive directors, from their service to the Group, net of the Group's employer contributions to the mandatory provident fund scheme.

(3) *Share option scheme*

The Group operated a share option scheme, details of which are provided in note 24. Upon the exercise of share options, no charge is recorded in the profit and loss account. The resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

**2) SEGMENT INFORMATION**

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Unallocated items mainly comprise corporate, financing expenses and non-operating items shown below.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Property is HK\$32,000 (2003: Nil). The amount eliminated attributable to Investments is HK\$330,000 (2003: HK\$11,795,000).

**Business Segment**

	Property		Investments		Information Technology		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment turnover</b>	<u>24,299</u>	<u>27,200</u>	<u>6,110</u>	<u>5,704</u>	<u>5,109</u>	<u>9,360</u>	<u>35,518</u>	<u>42,264</u>
<b>Segment result</b>	8,896	8,981	5,741	5,496	543	(3,866)	15,180	10,611
Unallocated corporate expenses							<u>(1,587)</u>	<u>(1,138)</u>
Operating profit							13,593	9,473
Share of profits and (losses) of associates								
– Listed	–	–	7,017	7,891	–	–	7,017	7,891
– Unlisted	5,062	(12,144)	–	–	–	–	5,062	(12,144)
Finance costs							(2,336)	(2,692)
Net profit on disposal of assets less impairment provisions							3,393	1,860
Taxation							(3,645)	(2,687)
Minority interests							<u>(1,218)</u>	<u>897</u>
<b>Net profit</b>							<u>21,866</u>	<u>2,598</u>
<b>Segment assets and liabilities</b>								
Segment assets	194,509	258,454	172,910	175,500	3,331	2,885	370,750	436,839
Investment in associates:								
– Listed	–	–	55,032	47,119	–	–	55,032	47,119
– Unlisted	204,229	153,783	–	–	–	–	204,229	153,783
Consolidated total assets							630,011	637,741
Segment liabilities	(52,282)	(64,786)	(9,865)	(31,311)	(1,618)	(4,463)	(63,765)	(100,560)
Unallocated corporate liabilities							(5,529)	(4,002)
Consolidated total liabilities							(69,294)	(104,562)
<b>Other information</b>								
Capital expenditure	1,130	116	–	17	20	28	1,150	161
Depreciation	672	621	–	123	150	277	822	1,021

**Geographical Segment**

	Turnover		Carrying Amount of Segment Assets	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	33,120	40,411	410,186	463,665
Mainland China	943	137	52,248	52,203
South East Asia	1,455	1,716	167,577	121,873
	<u>35,518</u>	<u>42,264</u>	<u>630,011</u>	<u>637,741</u>

## 3) PROFIT/(LOSS) BEFORE TAXATION

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(a) Charging</b>		
Borrowing costs for interest expenses on bank loans & overdrafts	2,336	2,692
Auditors' remuneration	279	246
Depreciation and amortisation	822	1,021
Exchange losses	–	49
Provision for long service payments to employees	339	700
Contributions to mandatory provident fund	131	378
Rental payments under non-cancellable leases	1,254	3,192
<b>(b) Crediting</b>		
Share of results of listed associate	7,017	7,891
Share of results of unlisted associates	5,062	(12,144)
	<u>12,079</u>	<u>(4,253)</u>
Rental income from investment properties less direct outgoings	18,205	19,149
Listed investment income	2,021	1,571
Unlisted investment income	858	429
Interest income	3,231	3,704
Exchange gain	167	–
<b>(c) Net profit on disposal of assets less impairment provisions</b>		
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit on disposal of other investments	331	124
Profit/(loss) on disposal of fixed assets and investment properties	6,433	(131)
Gain on disposal of investments in unlisted associates	–	452
Gain on forfeiture of deposit relating to an unlisted associate	–	2,161
Gain on winding up of former subsidiary	2,814	–
Unrealised (decrease)/increase in fair value of other investments		
– listed	1,911	(162)
– unlisted	(666)	(292)
Unrealised holding loss on foreign exchange contract	(585)	–
Impairment losses		
– Goodwill in respect of an unlisted associate	–	(3,030)
– Provision for unlisted associate	(6,785)	(3,112)
– Recovery of (provision for) receivables, debtors and advances	(60)	5,850
	<u>3,393</u>	<u>1,860</u>

## 4) TAXATION

## (a) Taxation

	2004			2003		
	Current taxation	Deferred taxation	Total	Current taxation	Deferred taxation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company and its subsidiaries						
Hong Kong	1,419	(62)	1,357	450	121	571
– Underprovision in prior year	292	–	292	–	–	–
Overseas	6	–	6	306	–	306
	<u>1,717</u>	<u>(62)</u>	<u>1,655</u>	<u>756</u>	<u>121</u>	<u>877</u>
Associates – overseas						
Listed	1,311	277	1,588	1,498	312	1,810
Unlisted	326	76	402	–	–	–
	<u>3,354</u>	<u>291</u>	<u>3,645</u>	<u>2,254</u>	<u>433</u>	<u>2,687</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) 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.

Of the deferred tax charge of HK\$291,000 for the year, HK\$153,000 (2003: Nil) is attributable to the increase in the tax rate in Hong Kong.

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

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	26,729	4,388
Less: Share of (profits) and losses of associates		
– listed	(7,017)	(7,891)
– unlisted	(5,062)	12,144
	<u>14,650</u>	<u>8,641</u>
Profit before taxation attributable to the Company and its subsidiaries		
Tax on profit before taxation, calculated at the applicable tax rate of 17.5% (2003: 16%)	2,564	1,383
Tax effect on non-deductible expenses in determining taxable profit	1,359	872
Tax effect on non-taxable revenue in determining taxable profit	(2,435)	(1,527)
Tax effect of current year's tax losses not recognised	69	518
Tax effect of prior year's unrecognised tax losses utilised this year	(347)	(369)
Increase in opening deferred tax liabilities resulting from an increase in the tax rate	153	–
Under provision in respect of prior years	292	–
	<u>1,655</u>	<u>877</u>
Taxation attributable to the Company and its subsidiaries for the year		

## 5) PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The loss of the Company is HK\$1,289,000 (2003: Loss of HK\$2,237,000) and is included in determining the net profit attributable to shareholders in the consolidated profit and loss account.

## 6) EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$21,866,000 (2003: HK\$2,598,000) and on 748,984,917 shares in issue during the year (2003: on the weighted average number of 749,036,972 shares in issue during the year). No diluted earnings or loss per share have been presented for the years ended 31 March 2004 and 31 March 2003 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) FINAL DIVIDEND (PROPOSED) PER SHARE

	2004 HK\$'000	2003 HK\$'000
Final dividend proposed after the balance sheet date of HK1 cent per share (2003: Nil)	7,490	–

The final dividend of HK1 cent (2003: Nil) per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The proposed final dividend will be payable in scrip dividend with cash option.

The amount of the dividend if all shareholders choose the cash option, calculated on the shares in issue at the balance sheet date is HK\$7,490,000. This amount is not included as a liability in these financial statements.

## 8) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' Emoluments

(1) Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	2004 HK\$'000	2003 HK\$'000
Fees	210	210
Basic salaries, housing and other allowances and benefits in kind	6,001	6,916
Contributions to mandatory provident fund	31	34
	<u>6,242</u>	<u>7,160</u>

The number of directors fell within emoluments bands as follows:

	2004	2003
HK\$		
Nil-1,000,000	5	5
2,000,001-2,500,000	1	–
2,500,001-3,000,000	1	2
	<u>7</u>	<u>7</u>

## (2) Share Options to Executive Directors

The Company granted share options to executive directors, details of which are provided in note 24.

**(b) Other Senior Management's Emoluments**

- (1) During the year, the five highest paid individuals included four directors (2003: four directors), details of whose emoluments are included above. The details of the remuneration of the remaining one (2003: one) highest paid individual are set out below:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Salaries, allowances and benefits in kind	998	1,236
Contributions to mandatory provident fund	12	12
	<u>1,010</u>	<u>1,248</u>

The remuneration of the individual fell within the band of HK\$1,000,001-HK\$1,500,000.

- (2) *Share Options to employees*

The Company granted share options to employees, details of which are provided in note 24.

**9) FIXED ASSETS**

	<b>Investment Properties</b> <i>HK\$'000</i>	<b>Other Assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At Valuation	229,533	–	229,533
At Cost	<u>9,540</u>	<u>11,919</u>	<u>21,459</u>
At 31 March 2003	239,073	11,919	250,992
Additions	–	1,150	1,150
Disposals	(50,575)	(2,741)	(53,316)
Exchange adjustment	242	29	271
Revaluation	<u>1,000</u>	<u>–</u>	<u>1,000</u>
At 31 March 2004	<u>189,740</u>	<u>10,357</u>	<u>200,097</u>
Accumulated Depreciation			
At 31 March 2003	–	8,795	8,795
Charge for the year	–	822	822
Disposals	–	(1,980)	(1,980)
Exchange adjustment	<u>–</u>	<u>23</u>	<u>23</u>
At 31 March 2004	<u>–</u>	<u>7,660</u>	<u>7,660</u>
Net book value			
At 31 March 2004	<u>189,740</u>	<u>2,697</u>	<u>192,437</u>
At 31 March 2003	<u>239,073</u>	<u>3,124</u>	<u>242,197</u>

Investment properties comprise the following:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
At valuation:		
Leasehold properties in Hong Kong – long term	21,500	69,000
Leasehold properties in Hong Kong – medium term	152,000	152,000
Freehold properties in Thailand	<u>6,703</u>	<u>8,533</u>
	<u>180,203</u>	<u>229,533</u>
At cost:		
Long term leasehold properties in Mainland China	7,947	7,950
Freehold property in Myanmar	<u>1,590</u>	<u>1,590</u>
	<u>9,537</u>	<u>9,540</u>
	<u><u>189,740</u></u>	<u><u>239,073</u></u>

Investment properties have been valued as follows:

- a) Properties in Hong Kong as at 31 March 2004 by AA Property Services Limited, professional valuers, on an open market value basis.
- b) Properties in Thailand as at 31 March 2002 by Nexus Property Consultants Company Limited, professional valuers, on an open market value basis. An updated valuation has not been obtained as the directors consider that any revaluation difference would not be significant to these financial statements.
- c) The other properties which are stated at cost, have not been valued as the directors consider that any revaluation difference would not be significant to these financial statements.

Certain properties outside Hong Kong are registered in the names of nominees.

Other assets comprised of furniture and fixtures and motor vehicles.

#### 10) LISTED ASSOCIATE

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
At cost	38,471	38,471
Attributable post acquisition reserves	8,626	5,812
Exchange reserve	6,443	1,841
Increase in fair value	<u>1,492</u>	<u>995</u>
Share of net assets	<u><u>55,032</u></u>	<u><u>47,119</u></u>
Market value	<u><u>47,322</u></u>	<u><u>40,570</u></u>

Particulars of the listed associate are as follows:

	<b>Main activity</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>
Siam Food Products Public Company Limited	Canned fruits for exports	Thailand	Ordinary

The Group holds 14.31% (2003: 14.31%) of the ordinary share capital of Siam Food Products Public Company Limited ("Siam Food") which is listed on the Stock Exchange of Thailand, and it accounts for this investment as an associate on the ground that the Group exercises significant influence.

In the opinion of the directors the Group exercises significant influence over Siam Food following the appointment of Mr. Kenneth Gaw, the Group's managing director, as a director of Siam Food and his continuing activity in that appointment. Furthermore the Group is the largest single shareholder in Siam Food. Significant influence is considered to have commenced for financial statements purposes on 1 April 2001.

Siam Food draws up its audited financial statements to 31 December of each year and it publishes unaudited financial information quarterly. The currency of its financial statements is the Thai Baht. Financial information summarized from published sources is as follows:

	<b>2004</b>	<b>2003</b>
	<i>Baht '000</i>	<i>Baht '000</i>
Result for the year ended 31 March 2004:		
Turnover	2,540,360	2,140,110
Profit before the following items	148,583	236,281
Prior period adjustments	703	(12,434)
Share of result of associated company and a joint venture	88,014	59,412
Profit before taxation	237,300	283,259
Taxation	(38,011)	(57,401)
Net profit for the year	<u>199,289</u>	<u>225,858</u>
Balance sheet as at 31 March 2004:		
Property, plant and equipment and plantation	1,033,063	960,901
Associated company and joint venture	585,490	540,757
Other non-current assets	106,825	25,595
	1,725,378	1,527,253
Inventories	552,712	572,748
Other current assets	473,246	395,147
Current liabilities	(670,553)	(532,113)
Minority interests	(12,577)	–
	<u>2,068,206</u>	<u>1,963,035</u>
Represented by:		
Issued share capital, share premium and other reserves	600,448	600,769
Retained earnings	1,467,758	1,362,266
Shareholders' funds at 31 March 2004	<u>2,068,206</u>	<u>1,963,035</u>

Equity accounting requires, inter alia, that as at the date of acquisition the cost of the investment is compared with the fair values of the underlying net assets; in this case it was determined that the excess of the Group's share of the book value of Siam Food's net assets over the cost of the investment was represented by a fair value difference ascribed collectively to Siam Food's property, plant, equipment and capitalized plantation cost.

The fair value difference at the date Siam Food became an associate was HK\$4,974,000.

The directors consider it reasonable to amortise the fair value difference of HK\$4,974,000 over a 10 year period effective 1 April 2001 so that each year HK\$497,400 is included in the Group's share of Siam Food's net profit. However, the Group's accounting policy on impairment of assets will be applied to this amount in accordance with SSAPs issued by the Hong Kong Society of Accountants.

A reconciliation from Siam Food's profit to the Group's attributable share of profit for year ended 31 March 2004 is as follows:

	<b>2004</b>	<b>2003</b>
	<i>Baht '000</i>	<i>Baht '000</i>
Siam Food's profit before taxation as above	<u>237,300</u>	<u>283,259</u>
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group's share before adjustment, translated into HK\$ at 0.192 in 2004 (2003: 0.1824)	6,519	7,393
Add: Fair value increment for the year	<u>498</u>	<u>498</u>
Group's share of profit	<u>7,017</u>	<u>7,891</u>

#### 11) UNLISTED ASSOCIATES

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	130,580	135,661
Goodwill written off	(5,188)	(5,188)
Impairment loss	(11,497)	(4,712)
Exchange reserves	46	46
Attributable post acquisition losses	<u>(44,604)</u>	<u>(60,051)</u>
Share of net assets	69,337	65,756
Amount due from associates	<u>134,892</u>	<u>88,027</u>
	<u>204,229</u>	<u>153,783</u>

During the year, cost of HK\$3,904,000 and the advances of HK\$6,807,000 in respect of the investment in iShipExchange Corporation and iShipExchange Limited was transferred to other investments held under non-current assets together with the corresponding transfer of post acquisition loss of HK\$10,711,000.

Particulars of unlisted associates are as follows:

(a) Associates held by the Group

Name of company	Main activity	Country of incorporation	Percentage of ordinary shares held	Effective Group percentage
Easy Group (BVI) Holdings Ltd.*	Investment	British Virgin Islands	28	28
Global Gateway, L.P.	Telecom Infrastructure	United States	20	20
Grand Prospect Enterprise Limited	Inactive	Hong Kong	49.5	49.5
Grandsworth Pte. Ltd.	Investment	Singapore	50	50
Keencity Properties Limited (operates in Thailand)	Investment	British Virgin Islands	49.5	49.5
PGG Siam Property Fund	Real Estate	Thailand	49.5	49.5
Pioneer iNetwork Limited	Investment	Hong Kong	50	50
Strand Hotels International Limited (the hotels operate in Myanmar)	Hotels	British Virgin Islands	28	28
Winman Investment Limited	Real Estate	Hong Kong	35	35

(b) Associates held by the Company

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	516	–
Amount due by associates	38,462	–
	<u>38,978</u>	<u>–</u>

Name of company	Main activity	Country of incorporation	Percentage of ordinary shares held	Effective Group percentage
Pioneer Hospitality Siam (GBR) Limited	Hotel operator	Thailand	49.5	49.5
Tidefull Investment Limited*	Investment	Liberia	50	50

Except as indicated, the principal countries of operation of the associates are the same as that of their incorporation.

\* operates in Hong Kong

The share of turnover, results and net assets of unlisted associates are based on management accounts, as except for Grandsworth Pte Ltd., none of their financial statements are audited as at or within 6 months prior to 31 March 2004.

The above list includes the associates which in the opinion of the directors principally affect the results of the year or form a material portion of the net assets of the Group. To give details of other associates would in the opinion of the directors result in particulars of excessive length.

(c) **Additional information in respect of two major associates held by the Group as at 31 March 2004 is provided as follows:**

(i) *Global Gateway, L.P. ("Global Gateway")*

The Group holds 20% equity interest of Global Gateway, L.P. The principal activities of Global Gateway, L.P. are telecom infrastructure and related service.

(ii) *Keencity Properties Limited ("Keencity")*

The Group holds 49.5% equity interest of Keencity. The principal activity of Keencity is its investment holding of 100% of PGG Siam Property Fund in Thailand. PGG Siam Property Fund owns the 382-rooms Garden Beach Resort in Pattaya, Thailand. This is a new acquisition during the year which was the subject of a circular to shareholders dated 26 August 2003.

As at 31 March 2004, the Group's shares in respect of the investment in Keencity were pledged to a bank for banking facilities granted for its investment in Garden Beach Resort.

The extracts of the financial information of the above two associates based on their unaudited consolidated financial statements as at 31 March 2004 are set out below:

	<b>Global Gateway</b>	<b>Keencity*</b>
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Result for the year		
Turnover	38,914	29,819
Net profit/(loss)	<u>(9,018)</u>	<u>(62,416)</u>
Summarised balance sheet		
Total assets	499,449	558,581
Total liabilities	<u>(251,121)</u>	<u>(291,977)</u>
	<u>248,328</u>	<u>266,604</u>
Equity		
Partners' equity/Share capital		
– Ordinary	489,419	498,677
– Preference	–	–
Reserves	<u>(241,091)</u>	<u>(232,073)</u>
	<u>248,328</u>	<u>266,604</u>
Group's share of profit/(loss)	<u>(1,804)</u>	<u>(12,484)</u>
Group's share of net assets and advances	<u>49,716</u>	<u>53,473</u>

\* Keencity is a new investment during the year and comparative information is therefore not applicable.

## 12) INVESTMENTS

## (a) Investment securities

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Listed shares in Hong Kong	<u>108,456</u>	<u>108,456</u>
Market value	<u>84,557</u>	<u>43,363</u>

Details of the listed investment securities are as follows:

Name	Country of incorporation	Listed in	Cost <i>HK\$'000</i>
Asia Financial Holdings Limited	Bermuda	Hong Kong	108,456 (2003: HK\$108,456)

As at 31 March 2004, the investment in Asia Financial Holdings Limited ("AFH") represented 4.1% (2003: 4.1%) interest in the ordinary share capital of AFH.

## (b) Other investments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current		
Unlisted shares and debentures	5,930	3,607
Loans and other assets	<u>1,453</u>	<u>1,454</u>
	<u>7,383</u>	<u>5,061</u>
Current		
Listed shares and bonds		
In Hong Kong	10,542	145
Outside Hong Kong	21,093	20,251
Unlisted equity linked notes outside Hong Kong	<u>6,968</u>	<u>–</u>
	<u>38,603</u>	<u>20,396</u>
Market value	<u>38,603</u>	<u>20,396</u>

The market value of other investments was the same as fair value.

## 13) SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	424,433	424,433
Amount due by subsidiaries	315,269	358,598
Provision for subsidiaries	<u>(295,666)</u>	<u>(295,000)</u>
	<u>444,036</u>	<u>488,031</u>

Particulars of subsidiary companies are as follows:

(a) **Subsidiaries held by the Company**

Name of company	Main activity	Country of incorporation	No. of issued shares	Par value	Percentage of equity held
Asian Champion Limited (operates in Hong Kong)	Investment	Liberia	2	US\$1,000	100
Brilliant Valley Investment Limited (operates in Hong Kong)	Investment	Liberia	1	Nil	100
Fortune Far East Limited (operates in U.S.A.)	Investment	Liberia	1	US\$1,000	100
Future Star Company Limited*	Investment	British Virgin Islands	1	US\$1	100
Glory East Limited (operates in Mainland China and in Myanmar)	Real Estate	Liberia	1	Nil	100
Golden Mile Limited (operates in Mainland China)	Real Estate	Liberia	1	Nil	100
Green Harmony Global Co., Ltd (operates in Thailand)	Investment	British Virgin Islands	1	US\$1	100
Pearl River Investment Limited*	Investment	Liberia	1	Nil	100
Pine International Limited*	Investment	British Virgin Islands	1	HK\$1	100
Pioneer Global Communications Limited*	Investment	British Virgin Islands	1	US\$1	100
Pioneer (USA) Holdings, Inc.	Investment	United States	1	Nil	100
Shining Galaxy Limited*	Investment	Liberia	1	Nil	100
Wise Champion Limited*	Investment	Liberia	1	Nil	100

## (b) Subsidiaries held by the Group

Name of company	Main activity	Country of incorporation	No. of issued shares	Par value	Percentage of equity held
Anpona Investments Limited	Real Estate	Hong Kong	1,000	HK\$10	100
Bright Orient Holdings Limited	Investment	Hong Kong	2	HK\$1	100
Dearwood Estates Limited	Investment	Hong Kong	2	HK\$10	100
Dragon Phoenix Land Investment Limited	Real Estate	Hong Kong	1,000	HK\$10	100
Fomax Limited	Computer Consultancy Services	Hong Kong	10,000	HK\$1	55
Forerunner Investments Limited	Investment	Hong Kong	3,000,000	HK\$1	60
Gamolon Investments Limited	Real Estate	Hong Kong	100	HK\$10	100
Golden Joy Technology Limited	Computer Consultancy Services	Hong Kong	5,000	HK\$1	55
Internet Group Technology Company Limited (operates in Hong Kong)	Investment	British Virgin Islands	1	US\$1	55
PGG Development Company Limited	Real Estate	Hong Kong	70,000	HK\$10	100
Pioneer Estates Limited	Real Estate	Hong Kong	100	HK\$10	100
Pioneer Global Gateway Asia Limited*	Investment	British Virgin Islands	1	US\$1	100
Pioneer Global Gateway LLC*	Investment	United States	1	Nil	100
Pioneer Global Gateway USA Limited*	Investment	British Virgin Islands	1	US\$1	100
Pioneer iConcepts Limited	Computer Consultancy Services	Hong Kong	36,363,636	HK\$1	55
Pioneer Industries (Holdings) Limited	Investment and Group Administration	Hong Kong	150,794,424	HK\$0.50	100
Sino Asset Developments Ltd.*	Inactive	British Virgin Islands	1	US\$1	100
Wuhan Huazhong Science Union Software Development Co., Ltd. (“WHS”)**	Software Development	Mainland China	Nil	Nil	55**

Except as indicated, the companies' principal countries of operation are the same as that of their incorporation.

\* No definite country of operation

\*\* WHS is an equity joint venture registered in Mainland China and the Group's effective interest in WHS is 30.25%.

#### 14) DEBTORS, ADVANCES & PREPAYMENTS

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Trade and rental debtors	332	1,432
Advances & prepayments	4,625	5,378
	<u>4,957</u>	<u>6,810</u>

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

<b>Aged analysis</b>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
0-30 days	183	693
31-60 days	73	360
61-90 days	76	318
> 90 days	–	61
	<u>332</u>	<u>1,432</u>

#### 15) CREDITORS & ACCRUALS

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Trade creditors	246	674
Provision for long service payments	1,860	2,121
Accruals & other creditors	10,943	12,412
	<u>13,049</u>	<u>15,207</u>

<b>Aged analysis</b>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
0-30 days	50	41
31-60 days	16	–
61-90 days	16	–
> 90 days	164	633
	<u>246</u>	<u>674</u>

## 16) SECURED BANK LOANS AND OVERDRAFTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current		
Secured bank loans – within one year	51,729	64,400
	<u>51,729</u>	<u>64,400</u>
Non-current		
Secured bank loan		
More than one year but not exceeding two years	–	1,200
More than two years but not exceeding five years	–	3,600
More than five years	–	16,800
	<u>–</u>	<u>21,600</u>

## 17) DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Unremitted profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002 as previously reported	–	–	–
Adjustment on adoption of SSAP 12 (Revised)	1,509	264	1,773
As restated	1,509	264	1,773
Charge to profit and loss account	121	312	433
Exchange differences charged to exchange reserve	–	5	5
At 31 March 2003	<u>1,630</u>	<u>581</u>	<u>2,211</u>
At 1 April 2003 as previously reported	–	–	–
Adjustment on adoption of SSAP 12 (Revised)	1,630	581	2,211
As restated	1,630	581	2,211
(Credit)/charge to profit and loss account	(215)	352	137
Effect of change in tax rate – charge to profit and loss account	153	–	153
Exchange differences charged to exchange reserve	–	53	53
At 31 March 2004	<u>1,568</u>	<u>986</u>	<u>2,554</u>

The Group has tax losses of HK\$9,552,000 (2003: HK\$10,787,000) 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.

## 18) SHARE CAPITAL

	No. of share of HK\$0.10 each	HK\$'000
Authorised		
At 31 March 2003 and 31 March 2004	2,000,000,000	200,000
Issued and fully paid		
At 31 March 2003 and 31 March 2004	748,984,917	74,898

## 19) RESERVES

At 31 March 2004

**Group**

	Share Premium HK\$'000	Capital Reserve & Contributed Surplus HK\$'000	Exchange Reserve HK\$'000	Investment Properties Revaluation Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 31 March 2003	304,729	64,120	11	147,320	(56,929)	459,251
Effect of adopting SSAP 12 (Revised)	–	–	(5)	–	(2,206)	(2,211)
As restated at 31 March 2003	304,729	64,120	6	147,320	(59,135)	457,040
Exchange on translation of						
– subsidiaries	–	–	378	–	–	378
– associates	–	–	4,602	–	–	4,602
Revaluation on investment properties	–	–	–	1,000	–	1,000
Disposal of investment properties	–	–	297	(1,498)	–	(1,201)
Profit for the year	–	–	–	–	21,866	21,866
At 31 March 2004	304,729	64,120	5,283	146,822	(37,269)	483,685
Dealt with by:						
Company and subsidiaries	304,729	64,120	(1,206)	146,822	(1,291)	513,174
Listed associate	–	–	6,443	–	8,626	15,069
Unlisted associates	–	–	46	–	(44,604)	(44,558)
	304,729	64,120	5,283	146,822	(37,269)	483,685

**APPENDIX II**
**FINANCIAL INFORMATION**

At 31 March 2003

**Group**

	<b>Share Premium</b>	<b>Capital Reserve &amp; Contributed Surplus</b>	<b>Exchange Reserve</b>	<b>Investment Properties Revaluation Reserve</b>	<b>Goodwill</b>	<b>Retained Earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2002	304,836	64,120	(2,088)	157,020	(3,030)	(59,960)	460,898
Effect of adopting SSAP 12 (Revised)	–	–	–	–	–	(1,773)	(1,773)
As restated at 31 March 2002	304,836	64,120	(2,088)	157,020	(3,030)	(61,733)	459,125
Shares repurchased	(107)	–	–	–	–	–	(107)
Impairment loss – goodwill written off	–	–	–	–	3,030	–	3,030
Exchange on translation of – subsidiaries – associates	–	–	148 1,946	–	–	–	148 1,946
Revaluation on investment properties	–	–	–	(9,700)	–	–	(9,700)
Profit for the year	–	–	–	–	–	2,598	2,598
At 31 March 2003	<u>304,729</u>	<u>64,120</u>	<u>6</u>	<u>147,320</u>	<u>–</u>	<u>(59,135)</u>	<u>457,040</u>
Dealt with by:							
Company and subsidiaries	304,729	64,120	(1,881)	147,320	–	(4,896)	509,392
Listed associate	–	–	1,841	–	–	5,812	7,653
Unlisted associates	–	–	46	–	–	(60,051)	(60,005)
	<u>304,729</u>	<u>64,120</u>	<u>6</u>	<u>147,320</u>	<u>–</u>	<u>(59,135)</u>	<u>457,040</u>

At 31 March 2004

**Company**

	<b>Share Premium</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2003	304,729	403,929	(259,886)	448,772
Loss for the year	–	–	(1,289)	(1,289)
At 31 March 2004	<u>304,729</u>	<u>403,929</u>	<u>(261,175)</u>	<u>447,483</u>

The contributed surplus arose in 1989 as a result of the Group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated shareholders' funds of the acquired subsidiary company. The contributed surplus is distributable as dividend under Bermudian Law and the Bye-Laws of the Company.

The reserves of the Company available for distribution to shareholders as at the balance sheet date, calculated in accordance with the Bermuda Companies Act, amount to HK\$142,754,000 (2003: HK\$144,043,000).

At 31 March 2003

**Company**

	<b>Share Premium</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2002	304,836	403,929	(257,649)	451,116
Shares repurchased	(107)	–	–	(107)
Loss for the year	–	–	(2,237)	(2,237)
At 31 March 2003	<u>304,729</u>	<u>403,929</u>	<u>(259,886)</u>	<u>448,772</u>

**20) CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees				
– for banking facilities granted to subsidiaries	–	–	98,260	121,060
– to bankers in lieu of utility deposits	224	260	–	–
– for payment of banking facilities to an associate	196	651	–	–
Commitments				
– to purchase foreign currency (USD10,000,000)	78,488	78,488	78,488	78,488
– to sell Hong Kong Dollars	78,488	78,488	78,488	78,488
– for further investment in other investments	819	819	–	–
– for credit facilities made to an associate	1,479	1,573	1,479	1,573
– for total future minimum lease payments				
– not later than one year	1,886	963	–	–
– later than one year and not later than five years	909	–	–	–

**21) 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:

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	15,645	20,904
Later than one year but not later than five years	20,545	16,920
	<u>36,190</u>	<u>37,824</u>

## 22) PLEDGE OF ASSETS

In addition to the Group's shares pledged for the investment in the Garden Beach Resort as mentioned in Note 11(c) at the balance sheet date, properties, investments and bank balances of the Group with an aggregate book value of approximately HK\$241 million (2003: HK\$300 million) were pledged to secure banking and other loan facilities to the extent of HK\$153 million (2003: HK\$215 million) of which HK\$52 million (2003: HK\$86 million) was utilised at that date.

## 23) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of bank loans and overdraft

	2004 HK\$'000	2003 HK\$'000
Bank loans and overdraft up to three months, included in cash and cash equivalents	51,729	63,200
Three months and beyond	–	1,200
	<u>51,729</u>	<u>64,400</u>
As shown in the consolidated balance sheet	<u>51,729</u>	<u>64,400</u>

## (b) Analysis of changes in financing during the year

As at 31 March 2004

	Share Capital and Share Premium HK\$'000	Bank Loan included in Non-current Liabilities (note 16) HK\$'000	Bank Loan repayable beyond three months and included in Current Liabilities (note 23(a)) HK\$'000	Minority Interests HK\$'000
At 31 March 2003	379,627	21,600	1,200	1,241
Share of profits	–	–	–	1,218
Distribution to minority shareholders	–	–	–	(325)
Bank loans repaid	–	(21,600)	(1,200)	–
	<u>379,627</u>	<u>–</u>	<u>–</u>	<u>2,134</u>
At 31 March 2004	<u>379,627</u>	<u>–</u>	<u>–</u>	<u>2,134</u>
As at 31 March 2003				
At 31 March 2002	379,784	22,800	1,200	2,517
Share of losses	–	–	–	(897)
Shares repurchased	(157)	–	–	–
Distribution to minority shareholders	–	–	–	(379)
Transfer from non-current to current liabilities	–	(1,200)	1,200	–
Bank loan repaid	–	–	(1,200)	–
	<u>379,627</u>	<u>21,600</u>	<u>1,200</u>	<u>1,241</u>
At 31 March 2003	<u>379,627</u>	<u>21,600</u>	<u>1,200</u>	<u>1,241</u>

**24) SHARE OPTION SCHEME**

On 3 September 1996, a Share Option Scheme (the “Scheme”) was approved by the shareholders, under which the directors of the Company may, at its discretion, offer any employee (including any executive director) options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

**Summary of the Scheme****(a) Purpose of the Scheme**

To provide the participants to subscribe for ordinary shares in the Company with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

**(b) Participants of the Scheme**

The Board may at its discretion, grant to any employee (including any executive director) options to subscribe for the Company’s shares.

**(c) Maximum number of shares available for issue under the Scheme**

The maximum number of the shares in respect of which options may be granted under the Scheme will be such number of shares, when aggregated with shares already subject to any share option schemes of the Company, shall not exceed 10% of the issued share capital of the Company.

**(d) Maximum entitlement to any one participant**

Under the Scheme, no options may be granted to any one employee which if exercised in full would result in the total number of the Company’s shares already issued and issuable to him under all the options granted to him exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

**(e) Period and payment on acceptance of options**

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board of Directors may prescribe within 2 days from the date of grant and upon payment of a nominal consideration of HK\$1 in total by the participant to the Company.

**(f) Period within which the shares must be taken up under an option**

Within ten years from the date of grant or such shorter period as the Board of Directors will specify at the time of grant.

**(g) The basis of determining the exercise price**

The exercise price of the options is determined by the Board of Directors and will not be less than the greater of (i) an amount equal to 80% of the average closing price of the Company’s share as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant and (ii) the nominal amount of the Company’s share.

**(h) Life of the Scheme**

The Scheme expired on 2 September 2001 but without prejudice to the rights attached to outstanding options granted prior to expiry.

As at 31 March 2004, the Company had outstanding options to subscribe for an aggregate of 48,893,641 (2003: 48,893,641) shares in the Company. Summary of the outstanding options is as follows:

Number of options at 31 March 2003 and at 31 March 2004	Exercise price	Date of grant	Exercise period
<b>To executive directors</b>			
21,612,137	HK\$1.941	24 October 1996	24 October 1996 to 23 October 2006
<u>25,456,823</u>	HK\$1.582	6 March 1997	6 March 1997 to 5 March 2007
<u>47,068,960</u>			
<b>To employees</b>			
1,658,499	HK\$0.653	30 August 2001	30 August 2001 to 29 August 2006
<u>166,182</u>	HK\$0.653	30 August 2001	30 August 2001 to 29 August 2004
<u>1,824,681</u>			
<u><u>48,893,641</u></u>			

No options were exercised and no options lapsed during the year. The names of the executive directors and their individual entitlements to share options are set out in the Directors' Report.

## 25) SUBSEQUENT EVENTS

In May 2004, the Group entered into a joint venture with Morgan Stanley Real Estate Funds and PamFleet Investments Limited. The Group's investment was HK\$39 million. The joint venture subsequently purchased two real properties, Paliburg Plaza and Kowloon City Plaza for investment purposes. Details of transaction were provided in a circular to shareholders dated 15 June 2004.

In June 2004, the Group disposed an investment property – Unit D2, 17/F of Evergreen Villa, Hong Kong for HK\$19.6 million. Details of transaction were provided in a circular to shareholders dated 28 June 2004.

## 26) APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 16 to 60 have been approved by the Board of Directors on 20 July 2004.

## 6. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The following financial information is a reproduction of the relevant information extracted from the interim report of the Group for the six months ended 30 September 2004.

In respect of the notes to the following unaudited financial statements, references to note numbers are the note numbers of the unaudited interim report of the Group for the six months ended 30 September 2004.

### INTERIM REPORTS

For the six months ended 30 September 2004

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended	
		30 September	2003
		2004	(Unaudited)
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover			
Company and subsidiaries		16,653	19,913
Share of listed associate		27,505	34,431
Share of unlisted associates		12,644	5,683
		<u>56,802</u>	<u>60,027</u>
Turnover of Company and subsidiaries	2	<u>16,653</u>	<u>19,913</u>
Properties operating expenses		(2,099)	(1,945)
Purchases for resale		(337)	(705)
Staff costs		(4,256)	(6,343)
Depreciation & amortisation		(307)	(392)
Other operating expenses		(1,940)	(2,219)
		<u>(8,939)</u>	<u>(11,604)</u>
Operating profit	2	7,714	8,309
Share of profits and (losses) of associates			
Listed		(1,446)	1,310
Unlisted		3,027	(121)
Finance costs		(458)	(1,328)
Net profit on disposal of assets less impairment provisions		15,071	1,580
Profit before taxation		23,908	9,750
Taxation	3	(479)	(672)
		<u>23,429</u>	<u>9,078</u>
Minority interests		(92)	(337)
Profit attributable to shareholders		<u>23,337</u>	<u>8,741</u>
Earnings per share ( <i>HK cents</i> )	4	<u>3.12</u>	<u>1.17</u>
Interim dividend	5	<u>3,847</u>	<u>–</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September 2004 (Unaudited) HK\$'000</b>	<b>31 March 2004 (Audited) HK\$'000</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Fixed assets		172,522	192,437
Listed associate		50,537	55,032
Unlisted associates	6	206,028	204,229
Investment securities		147,178	108,456
Other investments		8,999	7,383
		<u>585,264</u>	<u>567,537</u>
<b>Current assets</b>			
Debtors, advances & prepayments		11,633	4,957
Other investments	7	18,294	38,603
Cash and bank balances		28,945	18,914
		<u>58,872</u>	<u>62,474</u>
<b>Current liabilities</b>			
Creditors & accruals		(11,656)	(13,049)
Secured bank loans		(51,800)	(51,729)
Taxation		(2,154)	(1,962)
		<u>(65,610)</u>	<u>(66,740)</u>
<b>Non-current liabilities</b>			
Deferred taxation		(2,500)	(2,554)
<b>Minority interests</b>			
		(1,518)	(2,134)
<b>Net assets</b>			
		<u>574,508</u>	<u>558,583</u>
<b>Capital and reserves</b>			
Share capital	8	74,895	74,898
Reserves		499,613	483,685
<b>Shareholders' funds</b>			
		<u>574,508</u>	<u>558,583</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(8,903)	(3,009)
Net cash generated from/(used in) investing activities	20,657	(8,993)
Net cash used in financing activities	<u>(1,025)</u>	<u>(2,867)</u>
Net increase/(decrease) in cash and cash equivalents	10,729	(14,869)
Cash and cash equivalents at 1 April	(32,815)	(9,281)
Reclassification to investments	(765)	–
Effect of foreign exchange rate changes	<u>(4)</u>	<u>29</u>
Cash and cash equivalents at 30 September	<u><u>(22,855)</u></u>	<u><u>(24,121)</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks of up to three months' maturity	28,945	36,079
Bank loans repayable up to three months	<u>(51,800)</u>	<u>(60,200)</u>
Cash and cash equivalents at 30 September	<u><u>(22,855)</u></u>	<u><u>(24,121)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total equity at 1 April	558,583	534,149
Effect of adopting SSAP12 (Revised)	—	(2,211)
Total equity at 1 April as restated	<u>558,583</u>	<u>531,938</u>
Exchange adjustment of:		
– associates	(3,049)	1,536
– subsidiaries	<u>(203)</u>	<u>384</u>
Net (losses)/gains not recognised in the profit and loss account	<u>(3,252)</u>	<u>1,920</u>
Profit for the period	23,337	8,741
Reserves realised on disposal of investment properties	(4,154)	—
Shares repurchased	<u>(6)</u>	<u>—</u>
Total equity at 30 September	<u><u>574,508</u></u>	<u><u>542,599</u></u>

## NOTES

## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (SSAP25) "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 used in the annual financial statements for the year ended 31 March 2004.

## 2. SEGMENT INFORMATION

Segment information is presented on a primary reporting basis by business segment.

**Business Segment**

	<b>Property and Hotels</b>		<b>Investments and Others</b>		<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment turnover	10,599	12,913	6,054	7,000	16,653	19,913
Segment result	3,297	5,490	5,142	3,683	8,439	9,173
Unallocated corporate expenses					(725)	(864)
Operating profit					7,714	8,309
Share of profits and (losses) of associates						
Listed	–	–	(1,446)	1,310	(1,446)	1,310
Unlisted	3,027	(121)	–	–	3,027	(121)
Finance costs					(458)	(1,328)
Net profit on disposal of assets less impairment provisions					15,071	1,580
Taxation					(479)	(672)
Minority interests					(92)	(337)
Profit attributable to shareholders					23,337	8,741

## 3. TAXATION

	<b>2004</b>			<b>2003</b>		
	<b>Current taxation</b>	<b>Deferred taxation</b>	<b>Total</b>	<b>Current taxation</b>	<b>Deferred taxation</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Company and its subsidiaries						
Hong Kong	514	(53)	461	316	219	535
Overseas	18	–	18	6	–	6
	532	(53)	479	322	219	541
Associates – overseas						
Listed	–	–	–	28	103	131
	532	(53)	479	350	322	672

Hong Kong profits tax has been provided at the rate of 17.50% (2003: 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.

#### 4. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$23,337,000 (2003: Profit of HK\$8,741,000) and on weighted average number of 748,961,290 shares in issue during the period (2003: on 748,984,917 shares in issue during the period).

No diluted earnings per share have been presented for the periods ended 30 September 2004 and 2003 respectively as the exercised prices of the share options granted by the Company were higher than the fair value per share at the balance sheet date.

#### 5. INTERIM DIVIDEND

The Board of Directors declares an interim dividend of HK0.50 cent per share (2003: Nil), totalling HK\$3,847,000 for the six months ended 30 September 2004 (2003: Nil) to shareholders whose names appear on the registers of members of the Company at the close of business on 18 February 2005. This amount is not included as a liability in these interim financial statements.

#### 6. UNLISTED ASSOCIATES

	<b>30 September 2004</b>	<b>31 March 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	131,948	130,580
Goodwill written off	(5,188)	(5,188)
Impairment loss	(11,497)	(11,497)
Exchange reserves	46	46
Attributable post acquisition losses	<u>(42,382)</u>	<u>(44,604)</u>
Share of net assets	72,927	69,337
Amount due from associates	<u>133,101</u>	<u>134,892</u>
	<u>206,028</u>	<u>204,229</u>

#### 7. OTHER INVESTMENTS

	<b>30 September 2004</b>	<b>31 March 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Listed shares and bonds		
In Hong Kong	9,289	10,542
Outside Hong Kong	6,006	21,093
Unlisted equity linked notes outside Hong Kong	<u>2,999</u>	<u>6,968</u>
	<u>18,294</u>	<u>38,603</u>
Market value	<u>18,294</u>	<u>38,603</u>

## 8. SHARE CAPITAL

	No. of shares of HK\$0.10 each	HK\$'000
Authorised		
At 30 September 2004 and 31 March 2004	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid		
At 31 March 2004	748,984,917	74,898
Shares repurchased	<u>(28,000)</u>	<u>(3)</u>
At 30 September 2004	<u>748,956,917</u>	<u>74,895</u>

## 9. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Guarantees		
– to bankers in lieu of utility deposits	224	224
– for payment of banking facilities to an associate	196	196
Commitments		
– to purchase foreign currency (USD10,000,000)	78,488	78,488
– to sell Hong Kong Dollars	78,488	78,488
– for further investment in other investments	683	819
– for credit facilities made to an associate	1,293	1,479
– for total future minimum lease payments		
– not later than one year	1,920	1,886
– later than one year and not later than five years	–	909

## 7. FINANCIAL INFORMATION ON PROPERTY A, PROPERTY B AND PROPERTY C

The Company has sought information on the revenue and expenditure arising from the Properties by the following means:

- The Vendors were asked to provide information on the rental income, outgoings and other source of revenue (if any) and whether there is any valuation done in relation to the respective Properties they have sold to the Group. However, the only information on revenue the Vendors have provided to the Company was copies of the current tenancy agreements which included details of the rentals contracted to be paid by the tenants under the relevant current tenancy agreements which have continued to be in force following the completion of the sale and purchase transactions. Details of the current tenancy agreements are as follows:

Current tenancies	Property	Gross Floor Area <i>sq. ft</i>	Rentals contracted to be paid during the relevant periods		
			Year ended 31 March 2003 <i>HK\$'000</i>	Year ended 31 March 2004 <i>HK\$'000</i>	Year ended 31 March 2005 <i>HK\$'000</i>
1 Units 1 & 87, 1st Floor	B	7,825	630	720	720
2 Unit 2, Ground Floor	B	1,725	–	195	807
3 1B, Ground Floor	B	662	–	–	150
4 Units 1-4, Basement Floor	C	4,480	–	390	572
5 Units 7-8, Basement Floor	C	3,570	–	–	315
6 Units 12-21, 24-31,32-36B, 38-39 Basement Floor	C	11,523	–	–	683
7 Unit 40, Basement Floor	C	6,870	–	–	70
8 Units 22-23, Basement Floor	C	422	–	–	15
Total		<u>37,077</u>	<u>630</u>	<u>1,305</u>	<u>3,332</u>

The only information provided by the Vendors on outgoings comprised the government rent and rates, management fees and air-conditioning charges currently payable, but not those previously payable. Based on such information, details of the

estimated government rent and rates, management fees and air-conditioning charges in respect of the Properties to be paid in the forthcoming year are as follows:

<b>Property</b>	<b>Management Fees per annum HK\$'000</b>	<b>Air- conditioning Charges per annum HK\$'000</b>	<b>Government Rent &amp; Rates per annum HK\$'000</b>	<b>Total per annum HK\$'000</b>
A	375	350	54	779
B	560	322	36	918
C	1,065	994	131	2,190
	<u>2,000</u>	<u>1,666</u>	<u>221</u>	<u>3,887</u>

Other outgoings the information on which was not provided by the Vendors include leasing commissions, tenancy inducements (such as cash rebates, decoration allowances, rent-free periods, etc.), reinstatement costs, debt collection fees, general maintenance costs and amortisation of renovation costs of a capital nature.

- The Company has arranged for searches to be carried out at the Land Registry during the period starting from 2000. The results show that, during the entire three preceding financial years ended 31 March 2005, there was only one registered tenancy in respect of all the Properties, namely, for Units 7-8, Basement Floor, which subsisted and the term of such tenancy is from 1 September 2001 to 31 August 2003. The land search results show that the rental under such tenancy in each of the financial years ended 31 March 2003 and 31 March 2004 were HK\$900,000 and HK\$375,000 respectively. Although details of the rental receivable under the aforesaid tenancy are part of the information shown on these searches, the nature of what is registered at the Land Registry means that there is no information on the rent actually received or on the outgoings arising from them.
- The Company also made enquiries with property agents which referred the Company to search against information contained in a third party property research database which the Company understands is used by property agents in their businesses. However, from this property research database, no new information relating to the Properties in addition to that referred to in paragraphs 1 and 2 above were found.
- The Company had endeavoured to make enquiries with the management office of City Garden and with the existing tenants of the Properties to seek their knowledge of the historical occupancy information and the historical outgoing information (such as management fees and air-conditioning charges) relating to the Properties. However, such enquiries have not resulted in any new information relating to the Properties in addition to that referred to in paragraphs 1 and 2 above.

From the information on the income stream arising out of the relevant Properties which the Company has identified in paragraphs 1 and 2 above, for each of the three financial years ended 31 March, 2003, 2004 and 2005, the rental income based on the current existing agreements and land search results were HK\$1,530,000, HK\$1,680,000 and HK\$3,332,000 respectively, covering a total of 39 out of 51 units comprised in the Properties with an aggregate gross floor area of 37,077 sq.ft.

The Company has used all best endeavours and exhausted all means to ascertain information which the Company can rely on to identify and quantify the income and outgoings in an attempt to determine the “profit and loss statement” in relation to the Properties for the 3 preceding financial years as required under Rule 14.67(4)(b)(i) of the Listing Rules. However, the results show an extremely patchy picture of the rental income and outgoings in relation to the Properties. The relatively small size and value of the individual units comprising the Properties may have accounted for the lack of any organized information on these areas from the Vendors. In any event, the totality of the information we have managed to obtain is insufficient to prepare any “profit and loss statement” for the Properties for the 3 preceding financial years and would not have been “compiled and derived from any underlying books and records”.

A valuation report from an independent professional property valuer, Knight Frank Hong Kong Limited is also set out in Appendix I in this circular, with an opinion of the value of the Properties as at 8 March 2005. We have no information on any previous valuation on any part of the Properties which the Vendors (or any other third party) may have arranged.

The Directors are of the view that what net rental income the Properties may have achieved historically was irrelevant to the Company’s investment decision. It is not commercially reasonable to make investment decisions for properties of this nature based on historical underlying records, nor reasonable to expect that such historical information can be obtained. The Properties were purchased by the Company for investment purposes based on the above-mentioned valuation report and the Directors’ general optimistic view of the Properties’ potential for rental income and capital value growth. Such view is based on the sustained revival in local consumers demand, the vibrant inbound tourism which has benefited from large numbers of Mainland Chinese visitors, and the improvement in retail sales and the general performance of the property market in Hong Kong following the end of the Severe Acute Respiratory Syndrome outbreak in the first half of 2003.

## **8. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP COMBINED WITH THE ACQUISITION OF PROPERTY A, PROPERTY B, PROPERTY C AND PROPERTY D**

The pro forma financial information set out in this Appendix consists of the pro forma statement of assets and liabilities of the Group. This is intended to provide information to shareholders to illustrate the effect of the financial impact on the Group in respect of the acquisition of Property A, Property B, Property C and Property D as if the completion dates had taken place on 30 September 2004. Because of its nature, the pro forma statement of assets and liabilities may not give a true picture of the Group’s financial position at any date.

The pro forma statement of assets and liabilities is prepared in a manner consistent with both the format and accounting policies adopted by the Group in the preparation of its published unaudited condensed consolidated balance sheet as at 30 September 2004 as extracted from the interim report of the Company for the six months ended 30 September 2004. Furthermore, the pro forma statement of assets and liabilities illustrates the financial effect of the acquisition of Property A, Property B, Property C and Property D and their financing by the Group at their respective dates of completion, as if the completion dates had taken place on 30 September 2004.

## Pro Forma Statement of Assets and Liabilities

	The Group as at 30 September 2004 <i>HK\$'000</i>	Acquisition of Property A, Property B, Property C and Property D <i>HK\$'000</i>		Pro Forma Assets and Liabilities <i>HK\$'000</i>
Non-current assets				
Fixed assets	172,522	151,741	<i>Note</i>	324,263
Listed associate	50,537	–		50,537
Unlisted associates	206,028	–		206,028
Investment securities	147,178	–		147,178
Other investments	8,999	–		8,999
	<u>585,264</u>	<u>151,741</u>		<u>737,005</u>
Current assets				
Debtors, advances and prepayments	11,633	–		11,633
Other investments	18,294	–		18,294
Cash and bank balances	28,945	–		28,945
	<u>58,872</u>	<u>–</u>		<u>58,872</u>
Current liabilities				
Creditors and accruals	(11,656)	–		(11,656)
Secured bank loans	(51,800)	(75,691)	<i>Note</i>	(127,491)
Taxation	(2,154)	–		(2,154)
	<u>(65,610)</u>	<u>(75,691)</u>		<u>(141,301)</u>
Non-current liabilities				
Secured bank loans	–	(76,050)	<i>Note</i>	(76,050)
Deferred taxation	(2,500)	–		(2,500)
	<u>(2,500)</u>	<u>(76,050)</u>		<u>(78,550)</u>
Minority interests	(1,518)	–		(1,518)
Net assets	<u>574,508</u>	<u>–</u>		<u>574,508</u>

*Note:* In accordance with the agreements entered into by the subsidiaries of the Company, the following properties are to be acquired by the Group subject to certain conditions:

	<b>Total</b> <i>HK\$</i>
Property A, Property B and Property C at City Garden Podium, which refer to the Major Transaction in the circular	
Consideration	106,636,000
Service fee	11,105,000
	<u>117,741,000</u>
Property D at Great Eagle Centre, which refers to the Discloseable Transaction in the circular	
Consideration	34,000,000
	<u>151,741,000</u>

The pro forma statement of assets and liabilities is prepared on the assumption that the entire cost of the acquisitions to the extent of HK\$151,741,000 would be and would have been financed by bank loans as follows:

	<b>Short term secured loans, repayable within one year <i>HK\$</i></b>	<b>Long term secured loans, repayable more than one year but not exceeding five years <i>HK\$</i></b>	<b>Total</b> <i>HK\$</i>
For the acquisition of Property A, Property B and Property C, including service fee	63,791,000	53,950,000	117,741,000
For the acquisition of Property D	11,900,000	22,100,000	34,000,000
	<u>75,691,000</u>	<u>76,050,000</u>	<u>151,741,000</u>

## 9. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PRECEDING THREE YEARS

For the year ended 31 March 2002, the Group revenue amounted to 49.3 million and recorded a net loss of HK\$53.5 million. The disappointing result was principally due to the share of loss of Global Gateway and full provisions for our IT venture investments. At 31 March 2002, the Group had cash and bank balances of HK\$62.1 million and unutilized bank facilities made available to Group companies amounted to HK\$170 million. The Group's total debt equity ratio was 10.5% and the net debt (net of cash and bank balances) to equity ratio was 0%. The total debt outstanding was HK\$56.4 million consisting of HK\$33.6 million short term secured bank loans and overdraft and HK\$22.8 million long term secured bank loans and the contingent liabilities including guarantees and commitments was HK\$9 million.

For the year ended 31 March 2003, the Group revenue amounted to HK\$42.3 million and net profit was HK\$2.6 million. The decline in revenues was due solely to the drop in IT services revenues. The increase in net profit was the result of continued cost cutting measures

achieved and improved performance from all associates during the year. As at 31 March 2003, the Group had cash balance and bank of HK\$53.9 million and enjoyed substantial unutilized bank facilities made available to the Group. The Group's total debt equity ratio was 16.2% and the net debt (net of cash and bank balances) to equity ratio was 6%. The total debt outstanding was HK\$86 million consisting of HK\$64.4 million short term secured bank loans and HK\$21.6 million long term secured bank loans and the contingent liabilities including guarantees and commitments was HK\$161.2 million.

For the year ended 31 March 2004, the Group revenue amounted to HK\$35.5 million. Net profit for the Group improved significantly to HK\$21.8 million, compared to net profit of HK\$2.6 million in 2003. The increase in net profit was due mainly to lower expenses, leading to higher operating profit, as well as significantly improved result from Global Gateway and contribution from the newly acquired Garden Beach Resort in Pattaya, Thailand. As of 31 March 2004, the Group enjoyed a strong financial position, maintaining substantial unutilized bank facilities with a total debt to equity ratio of 9.3% and a net debt (net of cash and bank balances) to equity ratio of 5.9%. The total debt outstanding was HK\$51.7 million wholly consisting of short term secured bank loans and the contingent liabilities including guarantees and commitments was HK\$162.5 million.

## **10. EMPLOYEES**

As at 31 March 2004, the number of salaried staff was 28 (2003: 49). The Group ensures that its employees' remuneration packages are competitive. Employees are awarded 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.

## **11. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

The Group borrowings were mainly denominated in Hong Kong dollars and the exchange rate of which was relatively stable. The Group does not engage in any hedging contracts.

## **12. GENERAL OUTLOOK OF THE GROUP'S BUSINESS**

The principal business activities of the Group consist of investment and management of property and hotel, and investment in securities.

The Group plans to continue its strategy of acquiring investment properties and hotel assets in the region. In particular, the Group is currently looking at several opportunities in Hong Kong, Macau and Thailand. It is believed that such future acquisition would be funded by internal resources and bank financing.

With further improvement in the property market subsequent to the year ended 31 March 2004, the growing influx of mainland travellers and the Group's enhanced property portfolio, the Board is optimistic about the performance and prospects of the Group for the current financial year.

**13. ACCOUNTANTS' REPORT ON PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP COMBINED WITH THE ACQUISITION OF PROPERTY A, PROPERTY B, PROPERTY C AND PROPERTY D**

The following is the text of a report, prepared for the purpose of incorporation in this circular received from Fan, Mitchell & Co.

**FAN, MITCHELL & CO.****Certified Public Accountants**

Fan, Mitchell & Co.  
Certified Public Accountants  
3rd Floor, Chinachem Tower  
34-37 Connaught Road Central  
Hong Kong

6 June 2005

The Directors  
Pioneer Global Group Limited  
Suites 01-03  
30th Floor, Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Pro Forma Financial Information") set out in section 8 of Appendix II to the circular (the "Circular") issued by Pioneer Global Group Limited (the "Company") dated 6 June 2005 in connection with the acquisition by subsidiaries of the Company of Property A, Property B, Property C and Property D, which has been prepared by the directors of the Company, for illustrative purpose only, to provide information about how the acquisition of Property A, Property B, Property C and Property D might have affected the assets and liabilities of the Group, comprising the Company and its subsidiaries.

**RESPONSIBILITIES**

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the financial information with the source documents and discussing the Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or a review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, accordingly we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been compiled in accordance with the basis set out in section 8 of Appendix II to the Circular for illustrative purpose only and, because of its nature, it may not be indicative of:

- (a) the Group’s financial position as at 30 September 2004; or
- (b) the Group’s financial position as at any subsequent date.

**OPINION**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies adopted by the Group in the preparation of its published unaudited condensed financial statements as at 30 September 2004; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**Fan, Mitchell & Co.**  
*Certified Public Accountants*  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made full reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed to be interested in the following interests 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 (including interests and short positions which he is taken or deemed to have under such provisions 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 of Listed Companies 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	Interest held by family trust	Total	%
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

- Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.
- Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,453,375 shares.
- Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.
- 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	8,166,807	1.582	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,668,226	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,093	1.582	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,668,226	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,093	1.582	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,274,876	1.941	24/10/96	24/10/96 to 23/10/06
	2,274,877	1.582	06/03/97	06/03/97 to 05/03/07

## Long position in shares of associated companies

Name of Company	Name of Director	No. of shares held by controlled corporation	% of share in issue
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 the Latest Practicable Date, none of the Directors and chief executives of the Company were interested, or were deemed to be interested in the interests 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 (including interests and short positions which he is taken or deemed to have under such provisions 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 of Listed Companies adopted by the Company to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far is known to the Directors and chief executives of the Company:

- (i) the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares 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:

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

- (ii) the following person is a director of Vitality Holdings Limited which had an interest or short position in the shares and underlying shares 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:

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

- (iii) the following persons were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>% of issued share capital</b>
Forerunner Investments Limited	Farnham Group Limited	30
Pioneer iConcepts Limited	Ng Poon Wing Man, Agnes	40

Save as disclosed above, so far as is known to the Directors or the chief executives of the Company, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in shares or underlying shares 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 who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

#### **4. DIRECTORS' SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors have any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

#### **5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS/ARRANGEMENTS**

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2004, the date up to which the latest published audited consolidated financial statements of the Group were made.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

#### **6. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates have any interest in any business which competes or is likely to compete directly or indirectly with the business directly or indirectly of the Group.

**7. QUALIFICATION OF EXPERTS**

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Knight Frank Hong Kong Limited	Professional surveyor and property valuer
Fan, Mitchell & Co.	Certified Public Accountants
K. C. Yung & Co.	Hong Kong legal adviser

As at the Latest Practicable Date, each of Fan, Mitchell & Co., K. C. Yung & Co. and Knight Frank Hong Kong Limited did not have any holding, directly or indirectly, of any securities in any member of the Group or any option or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, each of Fan, Mitchell & Co., K. C. Yung & Co. and Knight Frank Hong Kong Limited did not have any direct or indirect interests in any assets which since 31 March 2004 (being the date to which the latest published audited consolidated financial statements of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**8. CONSENTS**

Each of Fan, Mitchell & Co., K. C. Yung & Co. and Knight Frank Hong Kong Limited has given and has not withdrawn their respective written consents the issue of this circular to the inclusion of their respective reports and legal advice in this circular with references to their names in the form and context in which they respectively appear.

**9. LITIGATION**

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group.

**10. MATERIAL CONTRACTS**

There have been no material contracts (not being contracts entered into in the ordinary course of business of any member of the Group) within the two years preceding the Latest Practicable Date.

**11. GENERAL**

- (i) The Qualified Accountant of the Company is Mr. Lee Kam Hung Alan, a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The Secretary of the Company is Ms. Tsui Kwai Ying Jane, an associate of the Institute of Bankers of London.
- (iii) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (iv) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

**12. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal office of the Company at Suites 01-03, 30th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including 24 June 2005:

- (i) the Memorandum of Association and Bye-Laws of the Company;
- (ii) the interim report of the Group for the six months ended 30 September 2004 and the audited consolidated financial statements of the Group for the financial years ended 31 March 2004 and 31 March 2003;
- (iii) a circular of the Company dated 15 June 2004 relating to a major transaction in relation to the formation of a joint venture;
- (iv) a circular of the Company dated 28 June 2004 relating to a discloseable transaction in relation to a property disposal;
- (v) a circular of the Company dated 3 May 2005 in relation to a discloseable transaction relating to the formation of a joint venture for participation in Macau property investment;
- (vi) the agreement for the acquisition of Property D as referred to in this circular;
- (vii) the provisional agreements for the acquisition of Property A, Property B and Property C as referred to in this circular;

- (viii) the agreements for the acquisition of Property A, Property B and Property C as referred to in this circular;
- (ix) the service agreement with Party II as referred to in this circular;
- (x) the report prepared by Fan, Mitchell & Co. on the pro forma assets and liabilities statement of the Group as set out in Section 8 of Appendix II in this circular;
- (xi) the consent letters of Fan, Mitchell & Co., K. C. Yung & Co. and Knight Frank Hong Kong Limited referred to in the section headed “Consents” in this appendix;
- (xii) the letter, valuation certificate and valuation report prepared by Knight Frank Hong Kong Limited in respect of Property A, Property B and Property C, the text of which is set out in Appendix I in this circular; and
- (xiii) the letter of legal advice from K. C. Yung & Co. dated 17 February 2005.