



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



INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003



PIONEER GLOBAL GROUP LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Jane Kwai Ying TSUI

BANKERS

Asia Commercial Bank Limited
Bangkok Bank Public Company Limited
Citibank, N.A.
HSBC Republic Bank (Suisse) SA
Standard Chartered Bank

SOLICITORS

Johnson Stokes & Master
K.C. Yung & Co.
Morrison & Foerster

AUDITORS

Fan, Mitchell & Co.

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

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

SHARE REGISTRARS & TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INFORMATION

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



The Board of Directors of Pioneer Global Group Limited (“the Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2003, together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the six months ended 30 September	
		2003 (unaudited) HK\$'000	2002 (unaudited) (restated) HK\$'000
Turnover	2	19,913	21,815
Properties operating expenses		(1,945)	(1,737)
Purchases for resale		(705)	(958)
Staff costs		(6,343)	(10,138)
Depreciation & amortisation		(392)	(483)
Other operating expenses		(2,219)	(3,155)
		(11,604)	(16,471)
Operating profit	2	8,309	5,344
Share of results of associates			
Listed		1,310	3,365
Unlisted		(121)	(6,541)
		9,498	2,168
Finance costs		(1,328)	(1,233)
Net profit on disposal of assets less impairment provisions		1,580	1,371
Profit before taxation		9,750	2,306
Taxation	3	(672)	(1,260)
		9,078	1,046
Minority interests		(337)	926
Profit attributable to shareholders		8,741	1,972
Earnings per share (HK cents)	4	1.17	0.26



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) (restated) HK\$'000
Non-current assets			
Fixed assets		242,146	242,197
Listed associate		50,035	47,119
Unlisted associates	5	160,771	153,783
Investment securities		108,456	108,456
Other investments		4,600	5,061
		566,008	556,616
Current assets			
Debtors, advances & prepayments		11,297	6,810
Other investments	6	30,812	20,396
Cash and bank balances		36,079	53,919
		78,188	81,125
Current liabilities			
Creditors & accruals		(14,763)	(15,207)
Secured bank loans & overdrafts	7	(61,400)	(64,400)
Taxation		(1,084)	(1,144)
		(77,247)	(80,751)
Non-current liabilities			
Secured bank loan	7	(20,400)	(21,600)
Deferred tax		(2,880)	(2,395)
		(23,280)	(23,995)
Minority interests		(1,254)	(1,241)
Net assets		542,415	531,754
Capital and reserves			
Share capital	8	74,898	74,898
Reserves		467,517	456,856
Shareholders' funds		542,415	531,754



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) (restated) HK\$'000
Net cash (outflow)/inflow from operating activities	(3,009)	7,652
Net cash used in investing activities	(8,993)	(44,478)
Net cash used in financing activities	(2,867)	(2,969)
Net decrease in cash and cash equivalents	(14,869)	(39,795)
Cash and cash equivalents at 1 April	(9,281)	29,665
Effect of foreign exchange rate changes	29	18
Cash and cash equivalents at 30 September	(24,121)	(10,112)
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks of up to three months' maturity	36,079	54,310
Bank overdraft and loans repayable up to three months	(60,200)	(64,422)
Cash and cash equivalents at 30 September	(24,121)	(10,112)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended
30 September

	2003 (unaudited) <i>HK\$'000</i>	2002 (unaudited) (restated) <i>HK\$'000</i>
Total equity at 1 April	534,149	535,846
Effect of adopting SSAP12 (Revised)	(2,395)	(1,773)
Total equity at 1 April as restated	531,754	534,073
Exchange adjustment:		
– subsidiaries	547	48
– associates	1,536	(108)
– deferred tax	(163)	–
Net gains/(losses) not recognised in the profit and loss account	1,920	(60)
Profit for the period	8,741	1,972
Shares repurchased	–	(157)
Total equity at 30 September	542,415	535,828



Notes:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (SSAP25) "Interim Financial Reporting". The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2003, except that the Group has adopted the following new and revised SSAP which became effective on 1 April 2003.

SSAP12 (Revised): Income taxes

Under SSAP12 (Revised), deferred tax liabilities and assets are recognised in respect of all "temporary difference" whereas, "temporary differences" are those differences between the carrying value of an asset or liability in the entity's balance sheet, and the "tax base" of that asset or liability; and the "tax base" of an asset or liability is the amount attributed to that asset or liability for tax purpose. Deferred tax liabilities and assets are calculated by applying the appropriate tax rate to "temporary differences" and unused tax losses and tax credits.



The adoption of SSAP12 (Revised) represents a change of accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. This change in accounting policy has resulted in prior period adjustment to the opening balance of equity as at 1 April 2003 which has been restated and decreased by HK\$2,395,000 (1 April 2002: HK\$1,773,000).

Certain comparative figures have been reclassified to conform to the current period presentation.

2. SEGMENT INFORMATION

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

	Property		Investments		Information Technology		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment turnover	12,913	13,769	3,485	3,034	3,515	5,012	19,913	21,815
Segment result	5,490	5,403*	3,407	2,920*	276	(2,449)*	9,173	5,874*
Unallocated corporate expenses							(864)	(530)*
Operating profit							8,309	5,344
Share of results of associates								
– Listed	–	–	1,310	3,365	–	–	1,310	3,365
– Unlisted	(121)	(6,541)	–	–	–	–	(121)	(6,541)
Finance costs							(1,328)	(1,233)
Net profit on disposal of assets less impairment provisions							1,580	1,371
Taxation							(672)	(1,260)
Minority interests							(337)	926
Net profit							8,741	1,972

* Segment results and unallocated corporate expenses for the six months ended 30 September 2002 have been reclassified to conform with the current period presentation following an internal review of allocation of overheads.



3. TAXATION

	2003			2002		
	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000
Hong Kong						
Subsidiary companies	316	219	535	265	60	325
Overseas						
Subsidiary companies	6	–	6	25	–	25
Listed associate	28	103	131	665	245	910
	350	322	672	955	305	1,260

Hong Kong profits tax has been provided at the rate of 17.50% (2002: 16%) on the estimated Hong Kong source assessable profits for the period. Overseas tax in respect of the Group and the listed associate has been provided at the applicable rates in the countries in which the tax is levied.



The change in accounting policy in accordance with the SSAP12 (Revised) "Income taxes" to account for deferred taxation has been applied retrospectively and the comparative figures at 30 September 2002 has been restated and increased by HK\$305,000.

4. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$8,741,000 (2002: Profit of HK\$1,972,000) and on 748,984,917 shares in issue during the period (2002: on weighted average number of 749,088,742 shares in issue during the period).

No diluted earnings per share have been presented for the period ended 30 September 2003 and 30 September 2002 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. UNLISTED ASSOCIATES

	30 September 2003 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
At cost	134,444	135,661
Goodwill written off	(5,188)	(5,188)
Impairment loss	(4,712)	(4,712)
Exchange reserves	(52)	46
Attributable post acquisition losses	(60,171)	(60,051)
Share of net assets	64,321	65,756
Amount due from associates	96,450	88,027
	160,771	153,783

6. OTHER INVESTMENTS

	30 September 2003 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
Current		
Listed shares and bonds		
In Hong Kong	234	145
Outside Hong Kong	30,578	20,251
	30,812	20,396
Market value	30,812	20,396



7. SECURED BANK LOANS AND OVERDRAFTS

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Current		
Secured bank loans – within one year	61,400	64,400
	61,400	64,400
Non-current		
Secured bank loan		
More than one year but not exceeding two years	1,200	1,200
More than two years but not exceeding five years	3,600	3,600
More than five years	15,600	16,800
	20,400	21,600



8. SHARE CAPITAL

	No. of Shares of HK\$0.10 each	HK\$'000
Authorised		
At 30 September 2003 and 31 March 2003	2,000,000,000	200,000
Issued and Fully Paid		
At 30 September 2003 and 31 March 2003	748,984,917	74,898

9. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Guarantees		
– to bankers in lieu of utility deposits	224	260
– for payment of banking facilities to an associate	651	651
– for payment of undrawn bridging loan facilities granted to an associate	46,166	–
Commitments		
– to purchase foreign currency (US\$10,000,000)	78,488	78,488
– to sell Hong Kong Dollars	78,488	78,488
– for further investment in other investments	819	819
– for credit facilities made to an associate	1,573	1,573
– for total future minimum lease payments		
– not later than one year	2,023	963
– later than one year and not later than five years	1,714	–

10. SUBSEQUENT EVENT

(A) In October 2003, a 49.5% owned associate company of the Group acquired 100% interest in a Thai property fund, which owns Garden Beach Resort, a 382-room beachfront resort hotel in Pattaya, Thailand. Details of transaction were provided in an announcement dated 15 July 2003 and a subsequent circular to shareholders dated 26 August 2003.

(B) In October 2003, the Group disposed an investment property – Unit 22D of Tower Park Condominium, 52/35 Sukhumvit Soi 3, Bangkok 10500, Thailand.

In November 2003, the Group disposed an investment property – the whole of 13/F of Tower A, Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong. Details of transaction were provided in an announcement dated 12 November 2003 and a subsequent circular to shareholders dated 28 November 2003.

In December 2003, the Group disposed an investment property – Flat A2, 8/F and 1 car parking space No. 147, Block A, Evergreen Villa, 43 Stubbs Road, Hong Kong.

The total consideration of the above disposals amounted to HK\$56.9 million and the Group made a net profit before taxation of HK\$7.1 million from these sales.



INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the year ending 31 March 2004 (2003: Nil).

BUSINESS REVIEW

During the period, the Group recorded revenues of HK\$19.9 million, compared to HK\$21.8 million in 2002. Operating profits for the period was HK\$8.3 million, compared to HK\$5.3 million in 2002. The decline in revenues was due mostly to the decrease in IT services revenues and slightly lower rental revenues. Operating profits increased as a result of continued cost cutting measures achieved during the period. For the six months ended 30 September 2003, profits attributable to shareholders was HK\$8.7 million (2002: HK\$2.0 million).

Properties



For the six months ended 30 September 2003, rental revenues from the Group's investment properties decreased slightly to HK\$12.9 million (2002: HK\$13.8 million). This was due to the decrease in rental rates and property management fees. However, as a result of improved cost control measures operating profits from investment properties remained stable at HK\$5.5 million (2002: HK\$5.4 million).

The Pacific Plaza on Huaihai Zhong Road, Shanghai is a joint venture property development owned 15.4% by a 50% associate company of the Group. The development comprises two development phases. Phase 1 development, which is a luxurious residential property development, was completed and fully sold. Construction for the Phase 2 790,000 square feet grade A office tower is on-going and is expected to be completed by mid-2005.

Investments in Hotel Industry

An associate company owned 50% by the Group holds 10.28% of Dusit Thani Public Company Limited (“Dusit Thani”). For the nine months ended 30 September 2003, Dusit Thani recorded net profit of Baht193.6 million, a 44.2% decrease compared to Baht 346.7 million in 2002. As reported in the annual report for the year ended 31 March 2003, the consequences of the war in Iraq and the SARS epidemic have significantly impacted Dusit Thani’s business in the second quarter of 2003. In addition, a number of the company’s major properties, namely the Dusit Thani Bangkok and the Dusit Resort Pattaya, underwent renovation during the period. With the hotel renovations partially completed and the passing of the SARS epidemic, Dusit Thani’s performance for the rest of 2003 will improve substantially.

Strand Hotels International Limited (an unlisted associate of the Group), through a 50% joint venture, owns the Strand Hotel, the Dusit Inya Lake Resort, and the Thamada Hotel in Yangon, Myanmar for a period of 30 years. Despite an encouraging start in the first quarter of the year, the three hotels were negatively affected by the war in Iraq and the SARS epidemic. While the rest of the hotel industry in the region rebounded strongly after the passing of SARS, hotels in Myanmar continued to suffer through the third quarter as a result of the U.S. led economic sanctions on the country in July. This difficult situation is expected to continue for the foreseeable future as long as the country’s political impasse is unresolved.



Global Gateway L.P. (“Global Gateway”)

Global Gateway is the 20:80 telecom infrastructure joint venture between the Group and Morgan Stanley Real Estate Funds. In April 2003, Global Gateway disposed of its facility in San Diego and it currently owns and operates facilities in Hong Kong and Singapore (total of 834,000 square feet of space). For the period under review, the Group’s share of results of Global Gateway was a loss of HK\$1.7 million (2002: loss of HK\$7.5 million). Despite recording a slight loss, Global Gateway has been cashflow positive during the period. Occupancy rate of Global Gateway (Hong Kong) was 75% as at 30 September 2003 while that of Ascendas Global Gateway Singapore was 32%. We expect occupancy rate at Global Gateway’s facilities, particularly in Hong Kong, to continue to improve in the foreseeable future due to favorable economic conditions.

IT Services

Revenues for Pioneer iConcepts Limited ("Pioneer iConcepts") (the Group's 55% owned IT services subsidiary) declined to HK\$3.5 million during the six months ended 30 September 2003 (2002: HK\$5 million). From an operations point of view, the company broke even, with an operating profit of HK\$0.2 million (2002: loss of HK\$2.5 million) recorded during the period. Going forward, the management of Pioneer iConcepts plans to attract more IT outsourcing contracts that can bring recurring revenues to the company.

Other Investments

During the period ended 30 September 2003, Siam Food Products Public Company Limited ("Siam Food"), the Group's listed associate in Thailand, contributed HK\$1.3 million to the Group profits (2002: HK\$3.4 million). For the first nine months of 2003, Siam Food's net profit decreased by 37.75% to Baht 101.29 million (2002: Baht 162.71 million). Despite the increase in revenues from Baht 1.55 billion to Baht 1.72 billion, profit margin decreased significantly due to higher costs of raw materials in the market. In view of the continued strength of the Thai Baht against the US\$ and the trend of high raw material costs, it is expected that Siam Food's profit margin will likely be under pressure for the near future.



During the period under review, the Group received dividends and other investment income of HK\$3.5 million, compared to HK\$3.0 million during the same period in 2002.

Liquidity and Financial Resources

As of 30 September 2003, the Group enjoyed a strong financial position, maintaining a cash balance of HK\$36.1 million (March 2003: HK\$53.9 million) and substantial unutilized bank facilities. At the balance sheet date, the Group's debt to equity ratio was 15% (March 2003: 16%) and the net debt to equity ratio was 8% (March 2003: 6%).

PROSPECTS

On 10 October 2003, an associate company owned 49.5% by the Group purchased 100% interest of a Thai property fund which owns the Garden Beach Resort, a 382 rooms beachfront resort hotel in Pattaya, Thailand, for a total consideration of Baht 870 million. The Thai tourism industry has recovered strongly from the SARS epidemic and the Garden Beach Resort has performed very well since the Group completed the transaction. We are optimistic about the prospect of this new investment.

In the last quarter of 2003, the Group disposed of three investment properties: (1) Unit 22D of Tower Park Condominium, 52/35 Sukhumvit Soi 3, Bangkok 10500, Thailand, (2) the whole of 13/F of Tower A, Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong and (3) Flat A2, 8/F and 1 car parking space No. 147, Block A, Evergreen Villa, 43 Stubbs Road, Hong Kong. Total consideration for the disposal amounted to HK\$56.9 million and the Group made a net profit before taxation of HK7.1 million from these sales.

EMPLOYEES

As at 30 September 2003, the number of salaried staff was 34. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.



INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2003, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the Meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

The Company

Long positions in the shares of the Company



	Personal	Corporate	Others	Total	%
Rossana Wang Gaw	–	15,309,732 [#]	Note 1	138,458,433	18.49
Kenneth Gaw	1,734,750	8,122,000 ^{##}	Note 2	36,314,524	4.85
Jane Kwai Ying Tsui	600,750	–	–	600,750	0.08

Notes:

1. Family trust of which members of the family of Mrs. Rossana Wang Gaw are amongst the beneficiaries held an aggregate of 123,148,701 shares.
2. Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.

[#] Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,309,732 shares.

^{##} Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,122,000 shares.

Share options

	Number of Options	Exercise Price HK\$	Date of Grant	Exercise Period
Rossana Wang Gaw	8,167,113	1.582	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,668,588	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,374	1.582	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,668,588	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,374	1.582	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,274,961	1.941	24/10/96	24/10/96 to 23/10/06
	2,274,962	1.582	06/03/97	06/03/97 to 05/03/07

Save as disclosed above, as at 30 September 2003, none of the Directors or chief executive of the Company had any other interests or 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) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following persons, other than a director or chief executive, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	Number of Shares	%
Asset-Plus Investments Ltd.	68,076,076	9.09
Forward Investments Inc.	174,277,635	23.27
Intercontinental Enterprises Corporation	72,650,000	9.70
Prosperous Island Limited	63,354,452	8.46



Saved as disclosed above, as at 30 September 2003, the Directors of the Company were not aware of any other person who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2003, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

REVIEW OF UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The audit committee has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2003 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.



COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, during the six months ended 30 September 2003, except that the independent non-executive directors have no specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

By order of the Board
Kenneth Gaw
Managing Director

Hong Kong, 22 December 2003