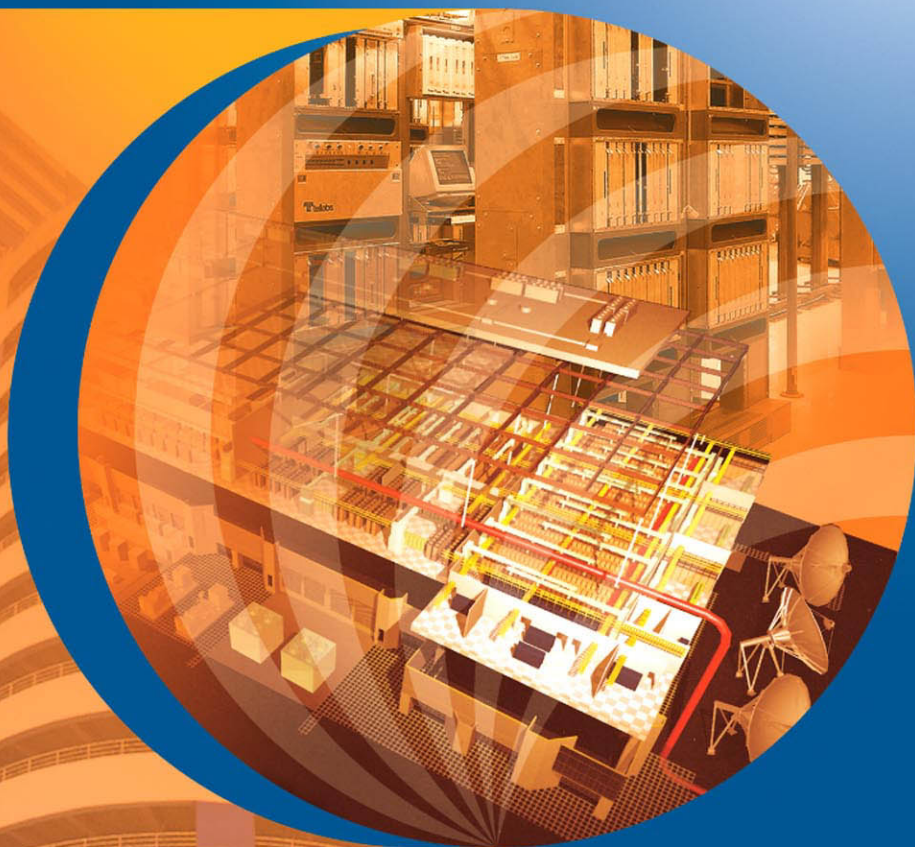




PIONEER GLOBAL GROUP LIMITED



INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

BOARD OF DIRECTORS

Rossana WANG GAW, Chairman

Goodwin GAW, Vice Chairman

Kenneth GAW, Managing Director

Jane Kwai Ying TSUI, General Manager and Company Secretary

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

Bangkok Bank Public Company Limited

Standard Chartered Bank

SOLICITORS

Baker & McKenzie

Chao and Chung

Johnson, Stokes & Master

AUDITORS

Fan, Mitchell & Co.

REGISTERED OFFICE

Cedar House

41 Cedar Avenue

Hamilton, HM 12, Bermuda

PRINCIPAL OFFICE IN HONG KONG

29/F Dah Sing Financial Centre

108 Gloucester Road

Wanchai

Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE IN BERMUDA

Butterfield Corporate Services Limited

65 Front Street, Hamilton, Bermuda

SHARE REGISTRARS & TRANSFER OFFICE IN HONG KONG

Central Registration Hong Kong Limited

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

INFORMATION

<http://www.pioneerglobalgroup.com>

Bloomberg: 224HK Equity

Reuters: 0224.HK

The Board of Directors of Pioneer Global Group Limited (“the Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2001, together with the comparative figures for the corresponding period in 2000 are as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended	
		30 September	2000
		2001	2000
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	<u>26,936</u>	<u>32,629</u>
Properties operating expenses		(2,202)	(4,106)
Cost of sales		(3,143)	(680)
Staff costs		(13,231)	(11,643)
Depreciation & amortization		(509)	(582)
Net loss on disposal of assets			
less provisions		(447)	(200)
Other operating expenses		<u>(4,537)</u>	<u>(4,383)</u>
		<u>(24,069)</u>	<u>(21,594)</u>
Operating profit	2	2,867	11,035
Finance costs		<u>(127)</u>	<u>(5,991)</u>
		2,740	5,044
Share of losses of associates		<u>(8,355)</u>	<u>(7,199)</u>
Loss before taxation		(5,615)	(2,155)
Taxation	3	<u>–</u>	<u>(2,110)</u>
		(5,615)	(4,265)
Minority interests		<u>1,258</u>	<u>(637)</u>
Loss attributable to shareholders		<u>(4,357)</u>	<u>(4,902)</u>
Loss per share (HK cents)	4	<u>(0.58)</u>	<u>(0.98)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2001 (Unaudited) <i>Note</i> HK\$'000	31 March 2001 (Audited) <i>HK\$'000</i>
Non-current assets			
Fixed assets		263,726	221,636
Associates	5	124,988	121,788
Investment securities		147,462	147,211
Other investments	6	30,255	23,967
Receivables		—	6,630
		<u>566,431</u>	<u>521,232</u>
Current assets			
Inventories		5,498	175
Debtors, advances & prepayments		6,135	7,103
Other investments	6	38,928	—
Cash and bank balances		11,681	75,520
		<u>62,242</u>	<u>82,798</u>
Current liabilities			
Creditors & accruals		18,975	12,370
Secured bank loans & overdrafts		2,499	1,123
Taxation		(143)	817
		<u>21,331</u>	<u>14,310</u>
Non-current liabilities			
Secured bank loans		22,800	—
Minority interests		<u>3,956</u>	<u>5,358</u>
Net assets		<u>580,586</u>	<u>584,362</u>
Capital & reserves			
Share capital	7	75,267	75,267
Reserves		505,319	509,095
Shareholders' funds		<u>580,586</u>	<u>584,362</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange differences on translation of the financial statements of overseas subsidiary and associated companies	<u>581</u>	<u>(767)</u>
Net gains/(losses) not recognised in the profit and loss account	<u>581</u>	<u>(767)</u>
Net losses for the period	<u>(4,357)</u>	<u>(4,902)</u>
Total recognised gains and losses	<u><u>(3,776)</u></u>	<u><u>(5,669)</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow to)/inflow from operating activities	(38,283)	18,067
Net cash inflow from/(outflow to) investments and servicing of finance	3,904	(1,875)
Tax paid	(960)	(7,647)
Net cash outflow from investing activities	(28,693)	(65,286)
Net cash outflow before financing	(64,032)	(56,741)
Net cash outflow from financing	—	(21,298)
Decrease in cash and cash equivalents	(64,032)	(78,039)
Cash and cash equivalents at the beginning of the period	74,397	(12,567)
Effect of foreign exchange rate changes	17	152
Cash and cash equivalents at the end of the period	10,382	(90,454)
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks up to three months' maturity	11,681	27,832
Bank overdrafts and loans repayable up to three months	(1,299)	(118,286)
	10,382	(90,454)

1. Basis of presentation and accounting policies

The unaudited consolidated financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (SSAP 25) "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 2001 except that the Group has adopted new and revised SSAPs which became effective on 1 January 2001.

The Group has adopted SSAP 30 "Business Combinations". The Group has elected not to restate goodwill/capital reserve previously eliminated against/credited to reserves. Accordingly goodwill/capital reserve arising on acquisitions prior to 1 January 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Capital reserve has been credited to reserves of the subsidiaries, associates or jointly controlled entities acquired and is realised in accordance with the realisation of those underlying assets. Where it has not been practicable to allocate the capital reserve to the underlying assets with any reasonable accuracy, the reserves is released on a systematic basis over a period not exceeding 20 years. On disposal of a subsidiary, associate or jointly controlled entities, any previously unrealised capital reserve is included in the calculation of the profit or loss on disposal.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimate useful life. Negative goodwill arising on acquisitions after 1 January 2001 is presented in the same balance sheet classification and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

2. Segmental information

During the period, the Group was principally engaged in the provision of IT services, telecommunication infrastructure, investments in properties and share holdings.

An analysis of turnover and contribution to operating profit for the period by principal activities and geographical segments are as follows:

	For the six months ended 30 September		For the six months ended 30 September	
	2001	2001	2000	2000
	Operating		Operating	
By principal activities	Turnover	profit/(loss)	Turnover	profit/(loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property rental and management	12,463	7,693	15,051	8,533
IT services	10,297	(3,316)	12,759	4,301
Investments and interest income	4,176	843	4,819	591
Net loss on disposal of assets				
less provisions		(447)		(200)
	<u>26,936</u>	<u>4,773</u>	<u>32,629</u>	<u>13,225</u>
Less : unallocated corporate expenses		(1,906)		(2,190)
Operating profit		<u>2,867</u>		<u>11,035</u>

By geographical segments	For the six months ended 30 September		For the six months ended 30 September	
	2001	2001	2000	2000
	Operating		Operating	
	Turnover HK\$'000	profit/(loss) HK\$'000	Turnover HK\$'000	profit/(loss) HK\$'000
Hong Kong and Mainland China	26,054	2,740	29,105	10,122
Thailand and South East Asia	875	302	420	695
United States of America	7	(175)	3,104	218
	<u>26,936</u>	<u>2,867</u>	<u>32,629</u>	<u>11,035</u>

3. Taxation

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax provided for the period	—	—
Overseas tax provided for the period	<u>—</u>	<u>2,110</u>
	<u>—</u>	<u>2,110</u>

No provision has been made for Hong Kong profits tax as the Group estimates that there will be no assessable profits for the period.

Group overseas tax has been provided at the applicable rates in the countries in which the Group operates.

Overseas dividends and certain rental and interest income are stated after deduction of applicable withholding taxes.

4. Loss per share

Loss per share is calculated on loss attributable to shareholders amounting to HK\$4,357,000 (2000: Loss of HK\$4,902,000) and on the 752,672,917 shares in issue during the period (2000: 501,781,945 shares in issue during the period). There was no bonus element in the Open Offer in October 2000. No diluted earnings per share have been presented for the six months ended 30 September 2001 as the exercise prices of the share options granted by the Company were higher than the fair value per share.

5. Associates

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
At cost	102,816	92,038
Goodwill written off to reserves	(5,188)	(5,188)
Attributable post acquisition reserves	<u>(25,918)</u>	<u>(17,563)</u>
Share of net assets	71,710	69,287
Amount due from associates	54,242	52,501
Amount due to associates	<u>(964)</u>	<u>—</u>
	<u>124,988</u>	<u>121,788</u>

6. Other investments

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Non-current assets		
Listed shares and bonds		
In Hong Kong, at fair value	1,138	1,254
Outside Hong Kong, at fair value	3,300	3,483
	<u>4,438</u>	<u>4,737</u>
Unlisted shares and debentures, at cost less provision	24,363	17,776
Loans and other assets	1,454	1,454
	<u>30,255</u>	<u>23,967</u>
Current assets		
Listed shares and bonds outside Hong Kong		
Bonds, at fair value	11,623	-
Money market, at fair value	27,305	-
	<u>38,928</u>	<u>-</u>

7. Share capital

	No. of Shares of HK\$0.10 each	HK\$'000
Authorised		
At 30 September 2001 and 31 March 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and Fully Paid		
At 30 September 2001 and 31 March 2001	<u>752,672,917</u>	<u>75,267</u>

8. Contingent liabilities and commitments

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Guarantees		
- to bankers in lieu of utility deposits	334	334
- for payment of banking facilities to		
- existing associates	2,669	2,669
- a former associate	-	1,560
Commitments		
- for further investment in a company held as		
other investments	1,649	1,996
- for credit facilities made to an associate	1,873	2,240
- for rental payment payable in the year following		
the balance sheet date in respect of premises		
under operating lease expiring in the second		
to fifth years inclusive	<u>871</u>	<u>871</u>
	<u>7,396</u>	<u>9,670</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 March 2002. (2001: Nil).

BUSINESS REVIEW

Total revenues for the Group for the six months ended 30 September 2001 was HK\$26.9 million (2000: HK\$32.6 million). The drop in revenues from last year was due to the decline in property rental income and the decline in IT services income. Profit from operations for the six months ended 30 September 2001 before and after finance costs were HK\$2.8 million and HK\$2.7 million respectively (2000: HK\$11.0 million and HK\$5.0 million). Taking into account of the share in losses of associates of HK\$8.3 million, the loss attributable to shareholders of the Group was HK\$4.3 million. The share in losses of associates is mainly related to losses from Global Gateway, our telecom infrastructure joint venture.

Pioneer iConcepts Limited (“Pioneer iConcepts”)

For the six months ended 30 September 2001, revenues attributable to Pioneer iConcepts (the Group's 55% IT services subsidiary) was HK\$10.2 million, representing a 19.3% decline for the same period in the previous year. As a result, Pioneer iConcepts had an operating loss of HK\$3.3 million for the period under review, compared to an operating profit of HK\$4.3 million in 2000. The reversal in operating results is due mainly to the long selling cycle in the current challenging market environment. Pioneer iConcepts continues to provide IT outsourcing services to its major long term customers and has a healthy pipeline of prospective implementation projects. However, with pervasive negative sentiments in the current market even healthy companies are generally cutting or postponing IT spending decisions, hence the selling cycle for new customers and projects has been far longer than during normal business environment. Accordingly, the management of Pioneer iConcepts has made cost adjustments to alleviate these risks.

Going forward, the management believes that the major growth opportunities for IT services are in China and has been developing joint ventures and alliances accordingly (see “Prospects” section below).

iShipExchange, an Asia-based leading e-procurement solutions provider for the maritime industry (owned 28% by Pioneer iConcepts), has continued to make satisfactory progress. During the six months period under review, “ShipExSupply” – the supplier oriented product – has also been launched, and registered users had increased to 34 shipping operators as at 30 September 2001 (from 27 operators as at 31 March 2001).

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

Global Gateway, the 20:80 telecom infrastructure joint venture between the Group and Morgan Stanley Real Estate Funds, currently owns and operates telecom carrier hotel facilities in Hong Kong, Singapore, Seattle, and San Diego (total of 979,000 sq.ft. of space). Construction works at all of the facilities are scheduled to be completed by the end of this year.

As discussed in the Annual Report, we foresee a slow year ahead for the telecom infrastructure business. Since the Annual Report date, we have seen the continued consolidation and deterioration in the telecommunications and internet data center industries. These developments had significantly affected our business as the telecom and internet data center industries form an important part of Global Gateway's customer base.

In light of the difficult market conditions, Global Gateway did not make significant new investments during the period under review. As of 30 September 2001, Global Gateway has only invested 22.8% of its planned capital of US\$200 million.

Properties and Stock Investments

Income from properties rental for the six months ended 30 September 2001 was HK\$12.5 million (2000: HK\$15.1 million). Operating profits contribution from properties was HK\$7.7 million (2000: HK\$8.5 million). The decline in operating results from properties was due to difficult market.

In August 2001, the Group acquired the 13/F of New Mandarin Plaza in Tsim Sha Tsui at HK\$40 million. The property is an office premises with approximate gross area of 19,500 sq.ft. and a 3 years lease term yielding rental income of HK\$3.79 million per annum (9.5% yield).

For the period under review, dividend income from stock investments was HK\$3 million (2000: HK\$2.3 million).

PROSPECT

In October this year, Pioneer iConcepts signed a letter of intent with the technology subsidiary, Wuhan Huazhong Science Union Software Development Co., Ltd., of Wuhan University of Technology ("WUT") to form a joint venture company. Located in the major central Chinese city of Wuhan, WUT is one of China's pre-eminent universities. Through the new joint venture company, Pioneer iConcepts will have access to the abundant IT human resources and proprietary technology of WUT. This joint venture shall enable Pioneer iConcepts to bid for large scale outsourcing and system integration projects in both Hong Kong and China. The detailed documentation of this joint venture is currently being finalized and the deal is expected to be completed in the near future.

The management of Global Gateway plans to continue to invest prudently in the second half of the year. Given the condition of the telecom industry worldwide, Global Gateway will focus on distress sale situations by industry players which expanded too quickly in the past. On the operations side, Global Gateway will work on flexible approaches to lease its facilities.

In addition to the IT services and telecom infrastructure businesses, the Group will also increase its investments in properties, both in Hong Kong and China.

EMPLOYEES

As at 30 September 2001, the number of salaried staff was 65. 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.

DIRECTORS' INTEREST IN SHARE CAPITAL

As at 30 September 2001, the interests of the directors, chief executives and their associates in the share capital of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:-

Ordinary shares of HK\$0.10 each

Name of Directors	Personal Interests	Corporate Interests	Other Interests	Total
Rossana Wang Gaw	-	15,089,732	<i>Note 1</i>	138,238,433
Goodwin Gaw	-	-	-	-
Kenneth Gaw	1,734,750	8,122,000	<i>Note 2</i>	36,314,524
Jane Kwai Ying Tsui	600,750	-	-	600,750
Charles Wai Bun Cheung	-	-	-	-
Bernard Charnwut Chan	-	-	-	-
Arnold Tin Chee Ip	-	-	-	-

Note 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.

Note 2 : Family trust of which Mr Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.

Share options

Name of Directors	No. of share options
Rossana Wang Gaw	8,207,328
Goodwin Gaw	17,260,535
Kenneth Gaw	17,260,535
Jane Kwai Ying Tsui	4,572,328

Share options were granted under the Share Option Scheme approved by shareholders at a special general meeting of the Company held on 3 September 1996. There were no options exercised during the period.

Of the 47,300,726 outstanding options, 21,718,554 options are exercisable at HK\$1.932 per share during the period from 24 October 1996 to 23 October 2006 and the remaining 25,582,172 options are exercisable at HK\$1.575 per share during the period from 6 March 1997 to 5 March 2007.

Save as disclosed above, as at 30 September 2001, none of the directors of the Company including their associates was interested in the Company's shares or the shares or debenture of any of the Company's associates within the meaning of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the directors, the following person, other than the directors, was interested or taken or deemed to be interested in 10 percent or more in nominal value of the issued share capital of the Company:

Name of Shareholder	Number of Shares	Percentage of the issued share capital held
Forward Investments Inc.	174,277,635	23.15 percent

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2001 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive directors have not been appointed for a specific term, but they 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, 17 December 2001