



PIONEER GLOBAL GROUP LIMITED



INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002



**PIONEER GLOBAL GROUP LIMITED**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Rossana WANG GAW, *Chairman*  
Goodwin GAW, *Vice Chairman*  
Kenneth GAW, *Managing Director*  
Jane Kwai Ying TSUI  
Dr. Charles Wai Bun CHEUNG, J.P.  
The Hon Bernard Charnwut CHAN  
Arnold Tin Chee IP

### COMPANY SECRETARY

Jane Kwai Ying TSUI

### BANKERS

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

### SOLICITORS

Baker & McKenzie  
Johnson, Stokes & Master

### AUDITORS

Fan, Mitchell & Co.

### REGISTERED OFFICE

Cedar House, 41 Cedar Avenue,  
Hamilton, HM 12, Bermuda

### PRINCIPAL OFFICE IN HONG KONG

29th Floor, Dah Sing Financial Centre,  
108 Gloucester Road, Wanchai,  
Hong Kong

### SHARE REGISTRARS & 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: 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 2002, together with the comparative figures for the corresponding period in 2001 are as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
	Note	2002 (unaudited) HK\$'000	2001 (unaudited) (restated) HK\$'000
Turnover	2	<b>21,815</b>	26,936
Properties operating expenses		<b>(1,737)</b>	(2,202)
Purchases for resale		<b>(958)</b>	(3,143)
Staff costs		<b>(10,138)</b>	(13,231)
Depreciation & amortisation		<b>(483)</b>	(509)
Other operating expenses		<b>(3,155)</b>	(4,537)
		<b>(16,471)</b>	(23,622)
Operating profit	2	<b>5,344</b>	3,314
Share of profits and (losses) of associates			
Listed		<b>3,365</b>	2,751
Unlisted		<b>(6,541)</b>	(8,355)
		<b>2,168</b>	(2,290)
Finance costs		<b>(1,233)</b>	(127)
Net profit/(loss) on disposal of assets less impairment provisions		<b>1,371</b>	(447)
Profit/(loss) before taxation		<b>2,306</b>	(2,864)
Taxation	3	<b>(955)</b>	(519)
		<b>1,351</b>	(3,383)
Minority interests		<b>926</b>	1,258
Profit/(loss) attributable to shareholders		<b>2,277</b>	(2,125)
Earnings/(loss) per share (HK cents)	4	<b>0.30</b>	(0.28)



## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Non-current assets			
Fixed assets		<b>252,355</b>	252,802
Listed associate		<b>44,313</b>	41,613
Unlisted associates	5	<b>151,716</b>	114,970
Investment securities		<b>108,456</b>	108,456
Other investments		<b>5,061</b>	4,242
		<b>561,901</b>	522,083
Current assets			
Debtors, advances & prepayments		<b>3,640</b>	7,529
Other investments	6	<b>20,398</b>	16,456
Cash and bank balances		<b>54,310</b>	62,088
		<b>78,348</b>	86,073
Current liabilities			
Creditors & accruals		<b>12,980</b>	12,378
Secured bank loans & overdrafts	7	<b>65,622</b>	33,623
Taxation		<b>930</b>	992
		<b>(79,532)</b>	(46,993)
Non-current liabilities			
Secured bank loan	7	<b>(21,600)</b>	(22,800)
Minority interests		<b>(1,211)</b>	(2,517)
Net assets		<b>537,906</b>	535,846
Capital & reserves			
Share capital	8	<b>74,898</b>	74,948
Reserves		<b>463,008</b>	460,898
Shareholders' funds		<b>537,906</b>	535,846



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended  
30 September

	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Shareholders' fund at 1 April	535,846	584,362
Exchange differences on translation of the financial statements of overseas subsidiary and associates	(60)	330
Profit/(loss) attributable to shareholders	2,277	(2,125)
Shares repurchased	(157)	–
Shareholders' fund at 30 September	537,906	582,567



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended  
30 September

	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000 (restated)
Net cash inflow from operating activities	<b>9,073</b>	3,286
Net cash outflow from investing activities	<b>(47,511)</b>	(67,318)
Net cash outflow from financing activities	<b>(1,357)</b>	–
Net decrease in cash and cash equivalents	<b>(39,795)</b>	(64,032)
Effect of foreign exchange rate changes	<b>18</b>	17
Cash and cash equivalents at 1 April	<b>29,665</b>	74,397
Cash and cash equivalents at 30 September	<b>(10,112)</b>	10,382
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	<b>54,310</b>	11,681
Bank overdrafts and secured bank loans	<b>(64,422)</b>	(1,299)
	<b>(10,112)</b>	10,382



**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 (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 2002, except that the Group has adopted the following new and revised SSAPs which became effective on 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 25 (Revised)	Interim financial reporting
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the Group's results.

To be consistent with the presentation of financial statements for the year ended 31 March 2002, a prior period adjustment was made to reflect the re-classification of an investment security, Siam Food Products Public Company Limited, as an associated company. This adjustment is treated as a change in accounting policy and accordingly, the loss attributable to shareholders for the six months ended 30 September 2001 has been decreased by HK\$2.2 million.

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





## 2. SEGMENT INFORMATION

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

	Property		Investments		Information Technology		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment turnover	13,769	12,463	3,034	4,176	5,012	10,297	21,815	26,936
Segment result	8,695	7,597	1,913	2,117	(2,516)	(3,316)	8,092	6,398
Unallocated corporate expenses							(2,748)	(3,084)
Operating profit							5,344	3,314
Share of profits and (losses) of associates								
– Listed	-	-	3,365	2,751	-	-	3,365	2,751
– Unlisted	(6,541)	(7,960)	-	-	-	(395)	(6,541)	(8,355)
Finance costs							(1,233)	(127)
Net profit/(loss) on disposal of assets less impairment provisions							1,371	(447)
Taxation							(955)	(519)
Minority interests							926	1,258
Net profit/(loss)							2,277	(2,125)



### 3. TAXATION

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Current provision		
Hong Kong	<b>265</b>	–
Overseas	<b>25</b>	–
	<b>290</b>	–
Listed associate, overseas taxation	<b>665</b>	519
	<b>955</b>	519

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.



### 4. EARNINGS/(LOSS) PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$2,277,000 (2001: Loss of HK\$2,125,000) and on the weighted average number of 749,088,742 shares in issue during the period (2001: 752,672,917 shares in issue during the period). No diluted earnings per share have been presented for the six months ended 30 September 2002 and 30 September 2001 as the exercise price of the share options granted by the Company were higher than the fair value per share.

## 5. UNLISTED ASSOCIATES

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
At cost	<b>128,061</b>	112,243
Goodwill written off to reserves	<b>(5,188)</b>	(5,188)
Impairment loss	<b>(1,600)</b>	(1,600)
Exchange reserves	<b>(167)</b>	(59)
Attributable post acquisition reserves	<b>(54,448)</b>	(44,007)
Share of net assets	<b>66,658</b>	61,389
Amount due from associates	<b>85,058</b>	53,581
	<b>151,716</b>	114,970

In April 2002, the Group and the Gaw family, a related party, formed a 50:50 associated company with a nominal share capital. On 2 July 2002, the associated company acquired a 10.28% shareholding in Dusit Thani Public Company Limited, a Thai company listed on the Stock Exchange of Thailand which owns and operates a chain of luxury hotels and resorts in Thailand and elsewhere in Southeast Asia and Middle East. The total consideration for the acquisition was Thai Baht 350 million (approximately HK\$66 million), which was initially financed by a Thai Baht loan facility granted by a bank and subsequently refinanced by shareholders' loan in proportion to their equity interests in the associated company.



## 6. OTHER INVESTMENTS

	<b>30 September 2002 HK\$'000</b>	<b>31 March 2002 HK\$'000</b>
Current		
Listed shares and bonds		
In Hong Kong	<b>158</b>	1,223
Outside Hong Kong	<b>20,240</b>	15,233
	<b>20,398</b>	16,456
Market value	<b>20,398</b>	16,456

## 7. SECURED BANK LOANS AND OVERDRAFTS



	<b>30 September 2002 HK\$'000</b>	<b>31 March 2002 HK\$'000</b>
Current		
Secured bank overdraft	<b>1,222</b>	1,222
Secured bank loans – within one year	<b>64,400</b>	32,401
	<b>65,622</b>	33,623
Non-current		
Secured bank loan		
More than one year but not exceeding two years	<b>1,200</b>	1,200
More than two years but not exceeding five years	<b>3,600</b>	3,600
More than five years	<b>16,800</b>	18,000
	<b>21,600</b>	22,800

## 8. SHARE CAPITAL

	<b>No. of Shares of HK\$0.10 each</b>	<b>HK\$'000</b>
Authorised		
At 31 March 2002	1,000,000,000	100,000
Shares increased	1,000,000,000	100,000
<b>At 30 September 2002</b>	<b>2,000,000,000</b>	<b>200,000</b>
Issued and Fully Paid		
At 31 March 2002	749,484,917	74,948
Shares repurchased	(500,000)	(50)
<b>At 30 September 2002</b>	<b>748,984,917</b>	<b>74,898</b>

## 9. CONTINGENT LIABILITIES AND COMMITMENTS



	<b>30 September 2002 HK\$'000</b>	<b>31 March 2002 HK\$'000</b>
Guarantees		
– to bankers in lieu of utility deposits	<b>260</b>	370
– for payment of banking facilities to an existing associates	<b>1,191</b>	1,191
Commitments		
– for further investment in other investments	<b>819</b>	1,638
– for credit facilities made to an associate	<b>1,586</b>	1,673
– for total future minimum lease payments		
– not later than one year	<b>2,515</b>	3,192
– later than one year and not later than five years	<b>–</b>	963
	<b>6,371</b>	9,027

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 March 2003 (2002: Nil).

## BUSINESS REVIEW

During the six months ended 30 September 2002, the Group recorded revenues of HK\$21.8 million (2001: HK\$26.9 million) and operating profits of HK\$5.3 million (2001: HK\$3.3 million). The decline in revenues was due mostly to the decrease in IT services revenues. The increase in operating profits was the result of cost cutting measures achieved during the period. For the six months ended 30 September 2002, profits attributable to shareholders amounted to HK\$2.277 million, compared to a loss of HK\$2.125 million during the same period in 2001.

### Properties and Securities Investments

During the period under review, rental income from the Group's investment properties increased to HK\$13.8 million, from HK\$12.5 million in 2001. This is attributable to the increase in income from a property, 13/F of New Mandarin Plaza, acquired in August 2001 as long term investment. Operating profits from investment properties also increased to HK\$8.7 million from HK\$7.6 million in 2001.

The Pacific Plaza on Huaihai Zhong Road, Shanghai is a joint venture property development 7.7% owned by the Group. The development comprises two development phases. Phase 1 development, which was a luxurious residential property development, was completed and fully sold. Construction for the Phase 2, Grade A office tower of 790,000 sq.ft., has commenced and is expected to be completed by 2004/2005.

For the six months ended 30 September 2002, dividends and other investment income amounted to HK\$3.0 million, compared to HK\$4.2 million during the same period in 2001. This is due to the decrease in dividend payment from the Group's holding in stocks in Hong Kong.

### IT Services

During the six months period ended 30 September 2002, Pioneer iConcepts Limited (the Group's 55% owned IT services subsidiary) recorded revenues of HK\$5.0 million (2001: HK\$10.3 million). While the company suffered a large decline in revenues, operating loss narrowed to HK\$2.5 million, from HK\$3.3 million during the same period in 2001. This is due to continued cost cutting measures by the management. Going forward, the management of Pioneer iConcepts Limited plans to attract more IT outsourcing contracts that can bring recurring revenues to the company.



## **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. During the period, Global Gateway disposed of its facility in Seattle and it currently owns and operates facilities in Hong Kong, Singapore, and San Diego (total of 855,000 sq.ft. of space). Through its association with the Group, Global Gateway also operates a facility in Shanghai under long term lease. The Group is the managing partner contributing management and technical expertise to the joint venture. The Group’s share of results of Global Gateway for the period ended 30 September 2002 was a loss of HK\$7.5 million, compared to a loss of HK\$7.6 million in 2001. The loss is due to the disposal of the Seattle facility and the continued depressed state of the telecommunications industry. On the other hand, the positive news is that occupancy at Global Gateway’s facilities has continued to improve and the company achieved positive EBITDA (earnings before interest, tax, depreciation, and amortisation – a common measurement of operating cash flow) in August 2002. As rental yield increases and expenses are trimmed, we expect that Global Gateway’s performance will continue to improve.

## **Listed Associate**

Siam Food Products Public Company Limited (“Siam Food”), the Group’s listed associate in Thailand, contributed to the Group profits of HK\$3.4 million during the period (2001: HK\$2.8 million). For the first nine months of 2002 (Siam Food’s fiscal year ends on 31 December), Siam Food’s main pineapple business achieved 22.6% increase in net profits. In addition, Siam Food’s joint venture industrial estate, the Eastern Seaboard Industrial Estate (“ESIE”), is expected to post a strong year due to the favorable growth of the Thai economy, especially in the auto industry (which makes up 70%+ of ESIE’s tenants).



## **Investments in Hotel Industry**

As reported in our Annual Report in July this year, an unlisted associated company owned 50% by the Group acquired 10.28% of Dusit Thani Public Company Limited (“Dusit Thani”). Dusit Thani is a company listed on the Stock Exchange of Thailand and is the leading owner and operator of hotels in the country. Under the Dusit brand and Royal Princess brand, Dusit Thani has 20 hotels with about 5,000 rooms under its management, of which 9 hotels are wholly or majority owned by the company. For the quarter ended 30 September 2002, Dusit Thani showed net profits of Baht 80.1 million, a 41.5% increase from the same period last year. For the first nine months of 2002 (Dusit Thani’s fiscal year ends on 31 December), Dusit Thani recorded net profits of Baht 346.7 million, a 4.59% increase from the same period last year.

The Group’s unlisted associate, Strand Hotels International Limited, is engaged in a 50/50 joint venture with the government of Myanmar to own and operate three hotels in Yangon for a period of 30 years. The three hotels are the 32 rooms Strand Hotel, the 238 rooms Renaissance Inya Lake Hotel, and the 58 rooms Thamada

Hotel. In June this year, the management contract between the JV company and Marriott International (the owner of the Renaissance brand) to manage the Renaissance Inya Lake Hotel and the Thamada Hotel was terminated. As a result, the JV company recently appointed Thailand based Dusit Hotels and Resorts (the wholly owned management company of Dusit Thani) to manage the Inya Lake Hotel. The official takeover date by Dusit is expected to be in December 2002 and the name of the hotel will be changed to Dusit Inya Lake Resort.

## PROSPECTS

At the balance sheet date, the Group's debt to equity ratio was 16% (March 2002: 11%) and the net debt to equity ratio was 6% (March 2002: 0%). In view of the strong liquidity and sufficient bank facilities available, the Group is in a position to further expand its asset base.

In light of the current state of the telecommunications and IT industries, we do not anticipate meaningful growth at Global Gateway and Pioneer iConcepts in the near future. As such, the Group intends to focus its attention on acquiring more income producing property and hotel assets in the region.

## EMPLOYEES



As at 30 September 2002, the number of salaried staff was 45. 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 2002, the interests of the directors 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 <sup>#</sup>	Note 1	138,238,433
Kenneth Gaw	1,734,750	8,122,000 <sup>##</sup>	Note 2	36,314,524
Jane Kwai Ying Tsui	600,750	–	–	600,750

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.

# Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,089,732 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

<b>Name of Directors</b>	<b>No. of share options</b>
Rossana Wang Gaw	8,167,113
Goodwin Gaw	17,175,962
Kenneth Gaw	17,175,962
Jane Kwai Ying Tsui	4,549,922

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 47,068,959 outstanding options, 21,612,137 options are exercisable at HK\$1.941 per share during the period from 24 October 1996 to 23 October 2006 and the remaining 25,456,822 options are exercisable at HK\$1.582 per share during the period from 6 March 1997 to 5 March 2007.

Save as disclosed above, as at 30 September 2002, 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 2002, 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:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of the issued share capital held</b>
Forward Investments Inc.	174,277,635	23.27%



## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the period, the Company repurchased on The Stock Exchange of Hong Kong Limited ("Stock Exchange") 500,000 shares of HK\$0.10 each of the Company at a consideration of HK\$155,571.95. Repurchased shares were cancelled subsequent to the repurchase. Details of repurchase of shares are as follows:

Month of repurchase	Number of shares	Highest price per share	Lowest price per share	Aggregate consideration
April 2002	500,000	HK\$0.31	HK\$0.31	HK\$155,571.95

## REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2002 have been reviewed by the audit committee of the Company.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE



Throughout the six months ended 30 September 2002, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors have no specific term of office 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, 16 December 2002