



PIONEER GLOBAL GROUP LIMITED

建生國際集團有限公司

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004



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 Private Bank (Suisse) SA
Standard Chartered Bank (Hong Kong)
Limited

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
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INFORMATION

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

PIONEER GLOBAL GROUP LIMITED

The Board of Directors of Pioneer Global Group Limited (“the Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2004, together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
	Note		
Turnover			
Company and subsidiaries		16,653	19,913
Share of listed associate		27,505	34,431
Share of unlisted associates		12,644	5,683
		56,802	60,027
Turnover of Company and subsidiaries	2	16,653	19,913
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)
		(8,939)	(11,604)
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)
		23,429	9,078
Minority interests		(92)	(337)
Profit attributable to shareholders		23,337	8,741
Earnings per share (<i>HK cents</i>)	4	3.12	1.17
Interim dividend	5	3,847	—

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
	<i>Note</i>		
Non-current assets			
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
		585,264	567,537
Current assets			
Debtors, advances & prepayments		11,633	4,957
Other investments	7	18,294	38,603
Cash and bank balances		28,945	18,914
		58,872	62,474
Current liabilities			
Creditors & accruals		(11,656)	(13,049)
Secured bank loans		(51,800)	(51,729)
Taxation		(2,154)	(1,962)
		(65,610)	(66,740)
Non-current liabilities			
Deferred taxation		(2,500)	(2,554)
Minority interests		(1,518)	(2,134)
Net assets		574,508	558,583
Capital and reserves			
Share capital	8	74,895	74,898
Reserves		499,613	483,685
Shareholders' funds		574,508	558,583

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) 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	(1,025)	(2,867)
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	(4)	29
Cash and cash equivalents at 30 September	(22,855)	(24,121)
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	(51,800)	(60,200)
Cash and cash equivalents at 30 September	(22,855)	(24,121)

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	558,583	531,938
Exchange adjustment of:		
– associates	(3,049)	1,536
– subsidiaries	(203)	384
Net (losses)/gains not recognised in the profit and loss account	(3,252)	1,920
Profit for the period	23,337	8,741
Reserves realised on disposal of investment properties	(4,154)	–
Shares repurchased	(6)	–
Total equity at 30 September	574,508	542,599

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

	Property and Hotels		Investments and Others		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

	2004			2003		
	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000
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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
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	(42,382)	(44,604)
Share of net assets	72,927	69,337
Amount due from associates	133,101	134,892
	206,028	204,229

7. OTHER INVESTMENTS

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
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	2,999	6,968
	18,294	38,603
Market value	18,294	38,603

8. SHARE CAPITAL

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

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

INTERIM DIVIDEND

The Board of Directors recommends the payment of an interim dividend of 0.5 HK cent per share for the six months ended 30 September 2004 (2003: Nil) payable on 21 February 2005 to all persons registered as shareholders on 18 February 2005. The transfer books and register of members of the Company will be closed from 14 February 2005 to 18 February 2005, both days inclusive.

BUSINESS REVIEW

For the six months ended 30 September 2004, total turnover (including subsidiaries and share of associates) amounted to HK\$56.8 million (2003: HK\$60.0 million). I am pleased to report that net profit for the Group improved significantly to HK\$23.3 million, compared to profit of HK\$8.7 million during the same period in 2003.

Property Investments

During the period under review, rental revenues from the Group's investment properties was HK\$10.6 million, compared to HK\$12.9 million in 2003. The decrease in rental revenues was due to the disposal by the Group some of its properties in Hong Kong and Thailand in the past twelve-month period. The disposals for the six months ended 30 September 2004 generated a net profit of HK\$13.8 million. Pioneer Building in Kwun Tong, the Group's main investment property in Hong Kong, has continued to perform satisfactorily and enjoys an occupancy rate of 93%.

Construction for the 790,000 sq.ft. Pacific Plaza in Shanghai is continuing as planned and the class-A commercial building is expected to be completed in 2005.

The performance of Global Gateway, the Group's 20:80 joint venture with Morgan Stanley Real Estate Funds, improved to a profit of HK\$1.1 million during the six months ended 30 September 2004 (2003: loss of HK\$1.7 million). Demand at Global Gateway's Hong Kong asset has been high, with the occupancy rate rising to 88%. We expect to see continued improvements in both occupancy and rental rates at this property. Occupancy at the company's Singapore facility has remained at 32%.

In May 2004, the Group formed a joint venture with Morgan Stanley Real Estate Funds and PamFleet Investments Limited to purchase the 217,625 sq.ft. 68 Yee Woo Street (previously named Paliburg Plaza) in Causeway Bay and the 640,000 sq.ft. Kowloon City Plaza in Kowloon City. The partners are currently finalizing plans to reposition these properties to take advantage of the resurgent Hong Kong property market.

Investments in Hotel Industry

The PGG Siam Property Fund (49.5% owned by the Group) owns a 100% interest in the Garden Beach Resort (recently renamed to Aisawan Resort & Spa, see “Prospects”), a 382 rooms beachfront resort in Pattaya, Thailand. The tourism market in Pattaya and Thailand recovered strongly from the SARS epidemic of 2003. As a result, the Garden Beach Resort has performed well. Since the Group’s acquisition on 10 October 2003 up to 30 September 2004, the resort achieved revenues of Baht 189 million and gross operating profit of Baht 100 million. Despite a major renovation and repositioning program from May 2004 to November 2004 which caused significant disruption to operations, this investment contributed HK\$0.2 million in profits to the Group for the six months ended 30 September 2004. For more information on the renovation and repositioning program, please see the “Prospects” section.

The Group’s associate company Grandsworth Pte. Limited owns 10.3% of Dusit Thani Public Company Limited (“Dusit Thani”), the leading owner and operator of hotels in Thailand. For the nine months ended 30 September 2004, Dusit Thani reported revenues of Baht 1.8 billion (2003: Baht 1.6 billion) and net profits of Baht 341.1 million (2003: Baht 193.6 million). This associate contributed HK\$1.3 million in profits to the Group for the six months ended 30 September 2004.

Other Investments

For the nine months ended 30 September 2004, Siam Food Products Public Company Limited suffered a net loss of Baht 5.15 million (2003: net profit of Baht 101.29 million). After multiple years of strong performance by the company, this year’s disappointing result was due mainly to poor weather affecting pineapple harvest in Thailand. The flood in southwestern Thailand at the end of 2003 was followed by a drought in the beginning of 2004. The unusual weather patterns caused a 15-20% drop in pineapple supply in the country and significantly increased raw material prices. In addition, the company’s profit margin was also hit by the increase in international commodities prices which affected the costs of cans, fuel, steel, and chemicals. As an associate company of the Group, Siam Food contributed a loss of HK\$1.4 million to the Group during the period under review. Looking forward, pineapple supply shall recover if the weather patterns normalize.

Liquidity and Financial Resources

As of 30 September 2004, the Group continues to enjoy a strong financial position. At the balance sheet date, the Groups total debt to equity ratio was 9.0% (March 2004: 9.3%) and the net debt (net of cash) to equity ratio was 4.0 % (March 2004: 5.9%).

PROSPECTS

The Garden Beach Resort in Pattaya, Thailand underwent an extensive renovation program which includes the upgrade of some of its guestrooms and the construction of a full service spa. This renovation program was completed in November 2004 and the resort is being repositioned as a 5-star hotel and relaunched under the new name, the Aisawan Resort & Spa (www.aisawan.com). The management is confident that the Aisawan Resort & Spa will provide significant contribution to the Group. In addition, with the expected completion of the new Suvarnabhumi Airport in Bangkok in 4th Quarter 2005, travel time from Bangkok's international airport to Pattaya will be cut to less than one hour. This will no doubt further enhance Pattaya's position as an international resort destination.

Going forward, 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.

EMPLOYEES

As at 30 September 2004, the number of salaried staff not including associates was 15. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2004, the following Directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Long position in shares of the Company

	Personal	Corporate	Others	Total	Percentage of issued share capital
Rossana Wang Gaw	—	15,309,732 [#]	<i>Note 1</i>	138,458,433	18.49
Kenneth Gaw	1,734,750	8,122,000 ^{##}	<i>Note 2</i>	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.

PIONEER GLOBAL GROUP LIMITED

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	Percentage of issued share capital
Grandsworth Pte. Ltd.	Rossana Wang Gaw	1*	50
Grandsworth Pte. Ltd.	Kenneth Gaw	1*	50

* 1 share in Grandsworth Pte. Ltd. is deemed to be interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw. It represents the same interest and is therefore duplicated.

Saved as disclosed above, as at 30 September 2004, none of the Directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code of Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SHAREHOLDERS' INTERESTS

As at 30 September 2004, according to the register of interests in long and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO and so far as the Directors were aware, the following persons had a long or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

	Number of shares	Percentage of issued share capital
Asset-Plus Investments Ltd.	68,076,076	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, there was no other persons (other than the Directors of the Company) who, as at 30 September 2004, was recorded in the register of interests in long positions and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2004, the Company repurchased on The Stock Exchange of Hong Kong Limited 28,000 shares of HK\$0.10 each of the Company at a consideration of HK\$5,617. Repurchased shares were cancelled subsequent to the repurchase. Details of the repurchase of shares are as follows:

Month of repurchase	Number of shares	Highest price per share	Lowest price per share	Aggregate consideration
May 2004	28,000	HK\$0.200	HK\$0.195	HK\$5,617

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 2004 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 indicated 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 of Hong Kong Limited, during the six months ended 30 September 2004, 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, 6 December 2004