



Pioneer

PIONEER GLOBAL GROUP LIMITED

(incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

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 2003, together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | For the six months ended 30 September | |
|--------------------------------|-------------|--|--|
| | | 2003 (unaudited) <i>HK\$'000</i> | 2002 (unaudited) (restated) <i>HK\$'000</i> |
| | <i>Note</i> | | |
| Turnover | 2 | <u>19,913</u> | <u>21,815</u> |
| 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 | | <u>(2,219)</u> | <u>(3,155)</u> |
| | | (11,604) | (16,471) |
| Operating profit | 2 | 8,309 | 5,344 |
| Share of results of associates | | | |
| Listed | | 1,310 | 3,365 |
| Unlisted | | <u>(121)</u> | <u>(6,541)</u> |

| | | | |
|---|---|------------------------------|--------------|
| | | 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) |
| Minority interests | | 9,078 (337) | 1,046 926 |
| Profit attributable to shareholders | | 8,741 | 1,972 |
| Earnings per share (<i>HK cents</i>) | 4 | 1.17 | 0.26 |

CONDENSED CONSOLIDATED BALANCE SHEET

| | 30 September 2003 (unaudited) <i>HK\$'000</i> | 31 March 2003 (audited) (restated) <i>HK\$'000</i> |
|---------------------------------|--|---|
| Non-current assets | | |
| Fixed assets | 242,146 | 242,197 |
| Listed associate | 50,035 | 47,119 |
| Unlisted associates | 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 | 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 | (61,400) | (64,400) |
| Taxation | (1,084) | (1,144) |

| | | |
|-------------------------|-----------------------|-----------------------|
| | <u>(77,247)</u> | <u>(80,751)</u> |
| Non-current liabilities | | |
| Secured bank loan | (20,400) | (21,600) |
| Deferred tax | (2,880) | (2,395) |
| | <u>(23,280)</u> | <u>(23,995)</u> |
| Minority interests | (1,254) | (1,241) |
| Net assets | <u>542,415</u> | <u>531,754</u> |
| Capital and reserves | | |
| Share capital | 74,898 | 74,898 |
| Reserves | 467,517 | 456,856 |
| Shareholders' funds | <u>542,415</u> | <u>531,754</u> |

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 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | 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 years' presentation following an internal review of allocation of overheads.

3. TAXATION

| | 2003 | | | 2002 | | |
|----------------------|------------------|-------------------|----------|------------------|-------------------|----------|
| | Current taxation | Deferred taxation | Total | Current taxation | Deferred taxation | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | 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.

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 (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 HK\$7.1 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.

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 of Hong Kong Limited (“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.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules of the Stock Exchange will be published on the Stock Exchange’s website (<http://www.hkex.com.hk>) in due course.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all the employees for their contributions.

By order of the Board
Kenneth Gaw
Managing Director

Hong Kong, 22 December 2003

“Please also refer to the published version of this announcement in The Standard”