



Pioneer

## PIONEER GLOBAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 00224)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2008, together with the comparative figures for the corresponding period in 2007 as follows:

#### CONSOLIDATED INCOME STATEMENT

		<b>For the year ended 31 March</b>	
		<b>2008</b>	2007
		<b>(Audited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover			
Company and subsidiaries		<b>61,886</b>	96,112
Share of associates		<b>48,312</b>	36,210
		<b><u>110,198</u></b>	<u>132,322</u>
Turnover of Company and subsidiaries	3	<b>61,886</b>	96,112
Properties operating expenses		<b>(9,639)</b>	(11,498)
Staff costs		<b>(10,230)</b>	(9,486)
Depreciation & amortisation		<b>(3,047)</b>	(3,365)
Other expenses		<b>(2,849)</b>	(3,645)
		<b><u>(25,765)</u></b>	<u>(27,994)</u>
Operating profit		<b>36,121</b>	68,118
Share of profits of associates		<b>47,060</b>	92,464
Change in fair value of investment properties		<b>53,726</b>	28,350
Other gains and losses		<b>32,537</b>	15,205
Finance costs		<b>(6,470)</b>	(8,406)
Profit before taxation		<b>162,974</b>	195,731
Taxation			
– current	4	<b>(3,379)</b>	(1,143)
– deferred	4	<b>(9,785)</b>	(4,424)
Profit for the year		<b><u>149,810</u></b>	<u>190,164</u>
Attributable to:			
Minority interests		<b>664</b>	703
Shareholders of the Company		<b>149,146</b>	189,461
		<b><u>149,810</u></b>	<u>190,164</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6	<b><u>19.39</u></b>	<u>24.63</u>

## CONSOLIDATED BALANCE SHEET

	At 31 March 2008 (Audited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
<b>ASSETS</b>		
Non-current assets		
Investment properties	555,600	489,600
Associates	791,952	481,815
Investments – available for sale investments	245,332	358,853
Property, plant and equipment	20,762	22,509
Leasehold land	10,885	11,121
Other assets	1,447	1,447
	<u>1,625,978</u>	<u>1,365,345</u>
Current assets		
Debtors, advances & prepayments	13,127	8,312
Investments – financial assets at fair value	6,288	5,392
Cash and bank balances	22,367	15,568
	<u>41,782</u>	<u>29,272</u>
<b>Total assets</b>	<b><u>1,667,760</u></b>	<b><u>1,394,617</u></b>
<b>EQUITY</b>		
Share capital	76,935	76,935
Reserves	1,305,938	1,087,513
Shareholders' funds	1,382,873	1,164,448
Minority interests	15,986	15,332
<b>Total equity</b>	<b><u>1,398,859</u></b>	<b><u>1,179,780</u></b>
<b>LIABILITIES</b>		
Non-current liabilities		
Secured bank loans	93,050	39,100
Deferred tax liabilities	62,287	52,502
	<u>155,337</u>	<u>91,602</u>
Current liabilities		
Creditors & accruals	20,513	13,257
Secured bank loans	89,513	109,356
Tax liabilities	3,538	622
	<u>113,564</u>	<u>123,235</u>
<b>Total liabilities</b>	<b><u>268,901</u></b>	<b><u>214,837</u></b>
<b>Total equity and liabilities</b>	<b><u>1,667,760</u></b>	<b><u>1,394,617</u></b>

Notes:

### 1. Basis of preparation

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 2. Application of Hong Kong Financial Reporting Standards and changes in accounting policies

In the current year, the Group has applied the new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) that are effective for the Group financial year beginning 1 April 2007. However, the adoption of these new HKFRSs does not have any significant effect on the accounting policies or results and financial position of the Group.

### 3. Segment information

#### Business Segment

	Properties and hotels		Investments and others		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Segment turnover</b>						
Company and subsidiaries	<u>44,347</u>	<u>33,557</u>	<u>17,539</u>	<u>62,555</u>	<u>61,886</u>	<u>96,112</u>
<b>Segment result</b>						
Unallocated corporate expenses	19,533	7,224	16,894	61,147	<u>36,427</u> <u>(306)</u>	<u>68,371</u> <u>(253)</u>
Operating profit					<u>36,121</u>	68,118
Share of profits of associates	47,060	92,464	–	–	47,060	92,464
Change in fair value of investment properties	53,726	28,350	–	–	53,726	28,350
Other gains and (losses)	(1,643)	10,279	34,180	4,926	32,537	15,205
Finance costs					(6,470)	(8,406)
Taxation					(13,164)	(5,567)
Minority interests					<u>(664)</u>	<u>(703)</u>
					<u>149,146</u>	<u>189,461</u>

#### 4. Taxation

	<b>Current taxation HK\$'000</b>	<b>2008 Deferred taxation HK\$'000</b>	<b>Total HK\$'000</b>	<b>Current taxation HK\$'000</b>	<b>2007 Deferred taxation HK\$'000</b>	<b>Total HK\$'000</b>
Hong Kong						
– provision for the year	<b>2,084</b>	<b>9,885</b>	<b>11,969</b>	210	4,424	4,634
– under/(over) provision in prior year	<b>1,271</b>	<b>(100)</b>	<b>1,171</b>	(421)	–	(421)
Overseas						
– provision for the year	<b>24</b>	–	<b>24</b>	14	–	14
– under provision in prior year	–	–	–	1,340	–	1,340
	<b><u>3,379</u></b>	<b><u>9,785</u></b>	<b><u>13,164</u></b>	<b><u>1,143</u></b>	<b><u>4,424</u></b>	<b><u>5,567</u></b>

Hong Kong profits tax has been provided at the rate of 17.50% (2007: 17.50%) on the estimated Hong Kong source assessable profits for the year. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.

#### 5. Dividend

	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Interim dividend of HK0.80 cent (2007: HK0.50 cent) per ordinary share	<b>6,155</b>	3,847
Proposed final dividend of HK1.50 cents (2007: HK1.50 cents) per ordinary share	<b>11,540</b>	11,540
	<b><u>17,695</u></b>	<b><u>15,387</u></b>

The 2008 final cash dividend of HK1.50 cents (2007: HK1.50 cents) per ordinary share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

#### 6. Earnings per share

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$149,146,000 (2007: HK\$189,461,000) and on 769,359,104 shares (2007: 769,359,104 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2008 and 2007 as the Company had no dilutive potential ordinary shares during both years.

#### 7. Event after balance sheet date

The sale of remaining strata units and car parking spaces of Morrison Plaza was completed on 30 April 2008 for a cash consideration of HK\$78.6 million. Details were provided in the circular to shareholders on 10 October 2007.

## **BUSINESS REVIEW**

The Group's total turnover including share of associates was HK\$110.2 million for the year ended 31 March 2008 (2007: HK\$132.3 million). During the same period, net profit for the Group was HK\$149.8 million (2007: HK\$190.2 million). While this represented a decline of 16.7% and 21.2% from the previous year's turnover and net profit respectively, it should be noted that there was a HK\$51.4 million special dividend from the Group's holdings in Asia Financial Holdings Limited ("Asia Financial") during the 2007 fiscal year. On the other hand, the Group's result in 2008 benefited from higher fair value increases of investment properties, disposal gains of investments, as well as a rise in revenues from advisory and asset management services.

### **Property Investments**

In December 2007, the Group teamed up with two strategic investor groups to form a joint venture which purchased the entire property located on 68 Yee Woo Street, Causeway Bay, Hong Kong for HK\$1.56 billion. The property has GFA of 229,200 sq. ft., consisting of a 16-storey office building and a 8-storey retail and carpark podium. The occupancy as at 31 March 2008 was about 99%. The Group invested HK\$180 million in the joint venture for a 30% interest and also provides the asset management services to the joint venture. As the Group also owns a 5% interest in the seller group (a joint venture formed in 2004 between the Group, Morgan Stanley Real Estate Funds and PamFleet Investments Limited), a cash distribution of HK\$55 million was received from the net sale proceeds. The seller group subsequently sold its remaining property, KCP in Kowloon City, for HK\$1.47 billion in June 2008.

In July 2007, the Group entered into a 50/50 joint venture with a strategic investor to purchase the Jie Fang Building, a GFA 11,500 sq.m. commercial property in Guangzhou, China, for a price of RMB85 million. The Group's capital investment was HK\$20.7 million. As at 31 March 2008, the property had occupancy of about 90%.

The AIA Tower in Macau is a GFA 437,000 sq.ft. commercial building owned by a joint venture between the Group, Morgan Stanley Real Estate Funds, and Wachovia Development Corporation. Since the completion of the major renovation program and the re-launch of the property under its current name, the property has become one of the leading Class A office towers in Macau both in terms of tenant mix and rental rates. As at the end of the reporting period, about 74% of the building had been leased and the property value had been revalued to HK\$1.10 billion (about 57% increase from invested cost). As a result, this investment contributed HK\$27.0 million profit to the Group as an associated company.

The Shanghai K. Wah Centre, a GFA 750,000 sq.ft. commercial tower in Shanghai held through an associated company, contributed HK\$30.4 million to the Group during the year. This property is one of the leading Class A office buildings in Shanghai and has continued to enjoy close to full occupancy in a tight leasing market.

Other properties directly owned by the Group performed satisfactorily. The Pioneer Building in Kwun Tong, Kowloon had HK\$16.8 million in rental revenues while continuing to enjoy a high occupancy rate of 90.9% as of 31 March 2008; furthermore, the property contributed fair value increase of HK\$28.0 million to the Group.

The Group's properties (comprising of total of GFA 63,840 sq.ft.) at Maximall, City Garden, North Point generated rental revenues of HK\$4.7 million and fair value increase of HK\$7.3 million.

The Group also owned strata units of about GFA 21,000 sq.ft. in Morrison Plaza in Wanchai, Hong Kong. During the year ended 31 March 2008, this property contributed revenues of HK\$2.6 million and fair value increase of HK\$11.0 million. In September 2007, a sale & purchase agreement was signed to dispose of the Group's holdings in Morrison Plaza for HK\$78.6 million. The transaction was subsequently completed on 30 April 2008.

An associated company of the Group invested in Gateway China Fund I (a US\$198.9 million real estate fund focused on China, Hong Kong, and Macau). At the end of the reporting period, the fund had fully committed its capital and was under a contract to sell its Shama Luxe Xintiandi service apartment for RMB943.8 million. This sale was subsequently completed in April 2008 and generated a project internal rate of return of about 136% for the fund. Values of other assets in the fund have also seen satisfactory increase.

### **Investments in Hotel Industry**

Aisawan Resort & Spa in Pattaya, Thailand had revenues of Baht 351.7 million for the year ended 31 December 2007, representing an increase of 16.9% from 2006 (2006: Baht 300.9 million). Gross operating profit for the period was Baht 216.4 million, compared to Baht 164.9 million in 2006 and a significant increase of 31.2%. The resort has clearly benefited from the repositioning program implemented since our acquisition in 2003, and Pattaya as a destination has continued to improve and grow. While the first three months of 2008 has continued to grow strongly from the previous year, we are starting to see pricing pressures and lower occupancy during the low season summer months. This is a result of competition from newly completed products in Pattaya as well as other resort destinations in Thailand and the region. As such, while we are optimistic about Pattaya as a destination and very satisfied with the performance of the resort, the management will continue its efforts to ensure that the resort will be competitive in the market going forward.

The Group's 50% owned associated company holds 10.3% of Dusit Thani Public Company Limited ("Dusit Thani"), the leading owner and operator of hotels in Thailand. For the fiscal year ended 31 December 2007, Dusit Thani had revenues of Baht 3.31 billion (2006: Baht 3.22 billion) and net profit of Baht 121.9 million (2006: Baht 229.3 million (restated)). The fall in net profit was resulted from the increase in marketing and promotional expenses, the implementation and development of central reservation system, rebranding of the Company and business expansion expenses both in Thailand and overseas. During the past year, Dusit Thani has made great progress in gaining new hotel properties under management, particularly in the Middle East. Much of the additional costs were incurred in support of new properties coming on line. As new properties will be opened over the next couple of years, management income generated by these new properties will more than cover the increase in expenses.

### **Other Investments**

In December 2007, the Group sold 10 million shares of Asia Financial for \$5.0 per share. The sale generated proceeds of HK\$50.0 million and a profit of HK\$23.4 million for the Group. Following the sale, the Group continues to hold 32 million shares in the company. The purpose of the sale was to partially realize investment profits and to reallocate resources to the Group's core business of properties and hotels investments.

## **PROSPECTS**

On 28 March 2008, Pioneer Hospitality Siam (GBR) Limited (the Group's 49.5% owned Thai associate – the same company that manages the Aisawan Resort & Spa) formed a joint venture to purchase a 79 acres land on the east coast of Phuket Island, Thailand for a total cost of Baht 1.06 billion (approximately HK\$261.9 million). The land is a peninsula site surrounded on three sides by the ocean and has its own secluded beach. Pioneer Hospitality Siam owns 37.5% of the joint venture company and will provide asset management and project management services to the joint venture. The joint venture plans to develop a low-density luxury resort with branded residences on the site. Currently, the management is in discussion with several hotel operators to brand the resort and is working with architects/designers on preliminary designs.

The global credit crisis that began in the U.S. capital markets in the second half of 2007 continued to play havoc, leading the U.S. Federal Reserve to cut interest rate aggressively during the period. Since Hong Kong dollar is pegged to the US currency, the Hong Kong dollar interest rate also dropped to near an all time low while inflation rose to a 10 year high. This combination of low interest rate and high inflation has led to an unusually high negative real interest rate environment. Last time a negative real interest rate environment occurred in Hong Kong in the lead up to 1997 handover, the territory experienced a massive asset bubble. Meanwhile, the artificially tight liquidity environment engineered by the Chinese government's aggressive austerity measures finally achieved a slowdown of the domestic economy. This government policy driven price correction led to banks tightening credit to the real estate market, coupled with regulatory hurdles creating roadblocks for cashed up foreign private equity investor, and add to that the US led liquidity squeeze which caused a collapse of the IPO markets in Hong Kong. On the other hand, attractive macro economic factors in China such as urbanization, middle class expansion leading to increased domestic consumption, domestic economic growth balancing out a slowdown in export growth, are all very much intact.

Elsewhere in Asia, Thailand was poised for a year of higher economic growth after the election at the end of 2007. However, political uncertainty has resurfaced again recently in the country, significantly lowering the chance of a strong growth year.

Given the turbulence in the markets, we believe that the next 12 to 18 months will offer many interesting and attractive opportunities in our core properties and hotels sectors. With inflationary pressures in the world economy ushering in a higher interest rate cycle, the Group will continue to keep a low leverage, high liquidity position as we continue to look for new investment opportunities.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 31 March 2008, the Group continued to enjoy a strong financial position, maintaining substantial unutilized bank facilities. At the balance sheet date, the Group's total debt to shareholders' fund ratio was 13.2% (31 March 2007: 12.7%) and the net debt (net of cash and cash equivalents) to shareholders fund ratio was 11.6% (31 March 2007: 11.4%).

## **EMPLOYEES**

As at 31 March 2008, the number of salaried staff at the holding company level was 17 (2007: 19). 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.

## **FINAL DIVIDEND**

The Directors recommend the payment of a final dividend of HK1.50 cents (2007: HK1.50 cents) per share for the year ended 31 March 2008, payable on 15 October 2008 to all persons registered as shareholders on 5 September 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The transfer books and register of members of the Company will be closed from 2 September 2008 to 5 September 2008, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 September 2008.

## **CORPORATE GOVERNANCE**

During the year ended 31 March 2008, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **ANNUAL GENERAL MEETING**

It is proposed that the AGM will be held on 5 September 2008. The Notice of AGM will be published and dispatched to shareholders in due course.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management the financial statements for the year ended 31 March 2008, including the accounting principles and practices adopted by the Group. After discussing the internal control of the Company with the Company's external auditors, the management is satisfied that the internal control procedures are effective and adequate.

By Order of the Board

**Kenneth Gaw**

*Managing Director*

Hong Kong, 3 July 2008

*As at the date of this announcement, the executive directors of the Company are Mrs. Rossana Wang Gaw, Mr. Goodwin Gaw, Mr. Kenneth Gaw and Ms. Jane Kwai Ying Tsui and the independent non-executive directors of the Company are Dr. Charles Wai Bun Cheung, JP, Mr. Stephen Tan and Mr. Arnold Tin Chee Ip.*