

# FOR INFORMATION ONLY

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## PIONEER GLOBAL GROUP LIMITED

建生國際集團有限公司

(Incorporated in Bermuda with limited liability)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2000

#### GROUP RESULTS

The consolidated net loss of the Group for the period ended 31<sup>st</sup> March 2000 amounted to HK\$90.7 million (1999: Loss of HK\$341.6 million). The loss was attributable to the disposal of major investment assets.

The results are as follows:-

	For the year ended 31st March	
	2000	1999
	HK\$'000	HK\$'000
Turnover	179,349	156,420
Other revenue	5,210	4,108
Properties operating expenses	(39,936)	(27,317)
Staff costs	(30,588)	(52,270)
Depreciation & amortization	(5,562)	(8,444)
Loss on disposal of investments	(95,993)	(303,236)
Other operating expenses	(47,454)	(30,667)
Loss from operations	(34,974)	(261,406)
Finance costs	(46,090)	(49,015)
	(81,064)	(310,421)
Share of profits and losses of associates		
Listed	(14,111)	(10,082)
Unlisted	3,708	3,989
Loss before taxation	(91,467)	(316,514)
Taxation (Note 3)	2,350	(19,777)
	(89,117)	(336,291)
Minority interest	(1,555)	(5,301)
Loss attributable to shareholders	(90,672)	(341,592)
Retained earnings brought forward	89,886	407,211
Prior year adjustments	(4,049)	20,218
Transfer from share premium account	500,000	-
Retained earnings brought forward as restated	585,837	427,429
Dividends	(501,782)	-

(Deficits)/Retained earnings carried forward		<u>(6,617)</u>	<u>85,837</u>
Loss per share (HK cents)	(Note 4)	<u>(18.07)</u>	<u>(70.95)</u>

Notes:

1. Comparative figures

Previous year figures have been reclassified to comply with Statements of Standard Accounting Practice 2.101, Accounting for “Presentation of Financial Statements” and 2.102, Accounting for “Net Profit or Loss for the Period, Fundamental Errors & Changes in Accounting Policies”.

2. Adoption of new accounting standard for investments in securities

Previously, the Group’s accounting policy required that long term investments were stated at cost less provision which was only made when the director considered that there had been a permanent diminution in the underlying value of the investment. Listed shares held as current assets were stated at the lower of cost and market value.

With effect from 1<sup>st</sup> April 1999, the accounting policies for investments in securities have been amended as follows, in accordance with the issue of Statement of Standard Accounting Practice 2.124, Accounting for “Investments in Securities”:

- a. Investment Securities which are held on a continuing basis are stated in the Balance Sheet at cost less provision for diminution in value.
- b. Securities other than investment securities are stated in the Balance Sheet at fair value. Changes in fair value are recognised in the profit and loss account in the period in which they arise.

The change in accounting policy has been applied retrospectively. The effects are that the net loss for the year ended 31<sup>st</sup> March 1999 is increased by HK\$24 million; and the retained earnings as at 1<sup>st</sup> April 1998 are increased by HK\$20 million and the retained earnings as at 1<sup>st</sup> April 1999 are decreased by HK\$4 million. Comparative figures for the year ended 31<sup>st</sup> March 1999 have been restated to reflect the change in this accounting policy.

3. Taxation consists of the following:

		<b>2000</b>	<b>1999</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Group			
Hong Kong	- profits tax provided for the year	-	-
	- overprovision in prior years	(13)	(380)
	- tax rebate	-	(58)
Overseas	- profits tax provided for the year	11,283	16,490
	- overprovision in prior years	(14,290)-	-
		(3,020)	16,052
Listed associated company		670	3,725
		<u>(2,350)</u>	<u>19,777</u>
Tax (credit)/charge for the year		<u>(2,350)</u>	<u>19,777</u>

No provision has been made for Hong Kong profits tax as the Group estimates that there will be no assessable profit for the year. Overseas tax is provided at the applicable rates in the countries in which the Group operates. The overprovision written back represents deferred tax no longer required as a result of a transaction during the year. The share of taxation of the listed associated company represents tax provided at the rate applicable on the estimated assessable profits arising in the People’s Republic of China and Singapore.

4.. Loss per share

Loss per share is calculated on loss attributable to shareholders amounting to HK\$90,672,000 (1999: Loss of HK\$341,592,000) and on the 501,781,945 shares in issue during the period (1999: 481,467,658 shares in issue during the year after adjusting for the bonus element in the rights issue on 13 August 1998 by the factor 96.00/94.22).

## **DIVIDEND**

The directors do not recommend the payment of a final dividend (1999: Nil). A special dividend of HK\$1.00 per share (1999: Nil) was paid out of the proceeds of assets disposal on 1<sup>st</sup> March 2000. Accordingly, there will be no closure of the Transfer Books and Register of Members of the Company.

## **A YEAR OF TRANSFORMATION**

The fiscal year ending 31<sup>st</sup> March 2000 has been an important transitional year for the Group. During the year, the Group made a strategic decision to dispose of some of its major traditional investments and shifted its business focus from investments in banking, shipping, and real estate industries into the high growth information technology and telecommunications sectors.

### ***Disposal of Major Assets***

In an effort to reflect the share price and provide an opportunity for shareholders to benefit from the Group's intrinsic value, a disposal of major assets of the Group together with a special dividend issuance was proposed to our shareholders in November 1999. The transaction was subsequently approved by independent shareholders in a Special General Meeting on 13<sup>th</sup> January 2000.

The disposal consisted of investments in two listed companies, namely shares in Bangkok Bank Public Company Limited in Thailand and Wah Kwong Shipping Holdings Limited in Hong Kong, and the Group's U.S. properties portfolio. Bangkok Bank and Wah Kwong Shipping were both adversely affected by the Asian financial crisis and were both unlikely to make positive contributions to the Group in the near future. While the Group's U.S. properties portfolio performed well, its value was not appreciated by the Hong Kong stock market.

The consideration of HK\$552 million was received and a special dividend of HK\$501 million (i.e. HK\$1.00 per share) was paid out on 1<sup>st</sup> March 2000. I am pleased to report that the transaction was successful and it significantly improved economic value to shareholders. When the transaction was announced in November 1999, the Group's shares were trading at HK\$0.71 per share. After the payment of the special dividend of HK\$1.00 per share in March 2000, the shares traded in a range between HK\$0.86 and HK\$1.72 per share during the period, or a total value to shareholders of HK\$1.86 and HK\$2.72 per share including the special dividend. This represents an increase in share value of 162% to 283% from the time the transaction was announced.

Following the major disposal transaction, the Group continues to hold stakes in listed companies offering stable yield and income producing investment properties in Hong Kong and Southeast Asia.

### ***New Business Focus***

We have embarked on a major change of our business focus into the "New Economy" – an economy driven by telecommunications and IT applications. In the past few years we have seen phenomenal growth and substantial wealth created around the world by the IT revolution of the New Economy. We have seen a "paradigm shift" and we believe that the New Economy is here to stay. To capture the opportunities created by

the New Economy, the Group has established two new strategic divisions: telecommunications infrastructure division and technology infrastructure division. Their mandate is to deliver dependable and advanced IT infrastructure to global customers.

***Pioneer iConcepts Limited (“Pioneer iConcepts”)***

Pioneer iConcepts was established in late 1999 as the IT and Internet technology arm of the Group. Its mission is to develop innovative concepts into successful Internet and technology companies and to act as a bridge connecting traditional businesses to the New Economy.

In January 2000, Pioneer iConcepts acquired the entire shareholding interest of three privately held software companies in Hong Kong. The consideration for the acquisition was in the form of cash and shares of Pioneer iConcepts. Following the transaction, the original shareholders and management of the acquired companies own 45% of the enlarged share capital of Pioneer iConcepts and continue to play the key management roles. The Group owns 55% of Pioneer iConcepts.

The acquisition of the three companies provides Pioneer iConcepts with a self-sustaining income producing operation. Steady recurrent income is generated from the IT help desk and computer center operation services to multinational and major local manufacturing companies. Another major revenue producing source is our extensive and well-built geographical information systems (“GIS”). Client engagements are obtained to develop web-based GIS database and customized applications.

In addition, Pioneer iConcepts has assembled an experienced management and technical team to develop leading edge technologies for our customers and our industry partners to transform their businesses. Projects and services under development include ERP systems solutions, B2B marketplace, intelligent map guide, warehouse inventory management and e-fulfillment system.

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

Global Gateway is a partnership formed between the Group and several investment funds managed by Morgan Stanley Dean Witter in May 2000 to provide infrastructure services to companies in the telecom, technology and Internet sectors. The telecommunications industry is one of the fastest growing industries in the world today. The tremendous growth of this industry has led to the emergence of the need for specialized telecom infrastructure facilities providing telecom, Internet and data management companies a home with services such as energy management, primary and backup power, fiber optic connectivity and facilities management. We refer to these specialized infrastructure facilities as “Telesites” (also commonly known in the industry as telecom carrier hotels). Global Gateway’s customers include local and long haul carriers, web-hosting companies, Internet service providers, co-location companies, application service providers and other web-centric telecommunications companies.

Global Gateway has 9 limited partners. The Group’s wholly owned subsidiary, Pioneer Global Communications, owns 20% interest of Global Gateway with the remaining interest owned by eight investment funds managed by Morgan Stanley Dean Witter. The joint venture agreement for Global Gateway is structured such that the Group, as

the managing partner contributing management and technical expertise, will gain additional ownership or economic distribution if certain performance benchmarks are met.

Global Gateway is headquartered in Los Angeles and Hong Kong. The Group is playing an active role by providing management to the joint venture and our Vice Chairman, Mr. Goodwin Gaw, will lead the operation as the Chairman and CEO of Global Gateway. Global Gateway's management has also been joined by the management team from One Wilshire, the leading carrier hotel in the Western U.S. Together, the management team of Global Gateway has developed over 20 carrier hotel facilities since 1993 and has relationship with over 100 telecommunications companies.

Initial capital commitment for Global Gateway is US\$200 million. Over the next 18-24 months, Global Gateway plans to invest about US\$600 million (including debt gearing) in the acquisition, development, and management of state-of-the-art, carrier-neutral Telesites in the Pacific Rim region (Western U.S. and Asia). The Group plans to finance its capital commitment (US\$40 million) from internal resources, bank loans and/or equity issues in such manner as to be determined by the Board taking into account the Group's and the market circumstances at the time when such commitment is to be met.

Since the incorporation of Global Gateway, progress has been very encouraging, with Telesites already secured in Hong Kong, Seattle and San Diego. Other sites under contract or advanced negotiation include Irvine, Tucson and Las Vegas in U.S., Singapore, and Tokyo.

In order to provide a seamless, global network of Telesites for our customers, Global Gateway has formed a strategic alliance with MetroNexus, a carrier hotel operator with its business focus in North America and Europe. MetroNexus' major shareholders are also investment funds managed by Morgan Stanley Dean Witter.

## **NAME AND LOGO CHANGE**

To better represent the new business direction of the Group, a special resolution was proposed to the shareholders on 24<sup>th</sup> May 2000 to change the name of the Group from Pioneer Industries International (Holdings) Limited to Pioneer Global Group Limited. The proposed special resolution was subsequently passed in a Special General Meeting on 11<sup>th</sup> July 2000. The new Chinese name adopted by the Group for identification purpose is 建生國際集團有限公司.

A new logo was also adopted to represent our new corporate image.

## **PROSPECT**

The information revolution is affecting our daily lives in every aspect. Ease of use in both computers and Internet will accelerate and amplify pace of change in the IT industry in the coming decades. With our focus on the IT infrastructure sector of the New Economy, we are confident that the Group will be able to meet the challenges of the new millennium.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **YEAR 2000 COMPLIANCE**

The Group has successfully made the transition to the Year 2000 with all its operations running smoothly. The Year 2000 compliance project was completed on schedule. As at 31<sup>st</sup> March 2000, HK\$200,000 had been spent on the Year 2000 compliance project and has been accounted for either as capital expenditure or operating expenses according to its nature.

As at 31<sup>st</sup> March 2000, there was no outstanding commitment on the Year 2000 compliance project.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice for corporate governance, as detailed in Appendix 14 of the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31<sup>st</sup> March 2000.

## **APPRECIATION**

On behalf of the Directors, I would like to express our sincere gratitude to all the employees for their loyal service and valuable contribution throughout the year.

By order of the Board  
**Kenneth Gaw**  
*Managing Director*

Hong Kong, 10<sup>th</sup> August 2000

Website : [www.pioneerglobalgroup.com](http://www.pioneerglobalgroup.com)