



PIONEER GLOBAL GROUP LIMITED
建生國際集團有限公司

Stock Code : 00224



INTERIM REPORT **2017**



PIONEER GLOBAL GROUP LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Rossana WANG GAW, *Chairman*

Goodwin GAW, *Vice Chairman*

Kenneth GAW, *Managing Director*

Christina GAW

Alan Kam Hung LEE

Independent Non-executive Directors

Dr. Charles Wai Bun CHEUNG, JP

Arnold Tin Chee IP

Stephen TAN

AUDIT COMMITTEE

Dr. Charles Wai Bun CHEUNG, JP, *Chairman*

Arnold Tin Chee IP

Stephen TAN

COMPANY SECRETARY

Tsui Yan LAW

BANKERS

Citibank N.A. Hong Kong

Standard Chartered Bank

(Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

SOLICITORS

Baker & McKenzie

Fangda Partners

Mayer Brown JSM

AUDITORS

CHENG & CHENG LIMITED

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

18th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, 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>

<http://www.irasia.com/listco/hk/pioneer/index.htm>

Bloomberg: 224:HK

Reuters: 0224.hk

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | For the six months ended 30 September | |
|---|-------|--|-------------------------|
| | | 2017 | 2016 |
| | Notes | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Turnover | | | |
| Company and subsidiaries | | 130,252 | 156,281 |
| Share of associates | | 159,471 | 94,334 |
| | | 289,723 | 250,615 |
| Turnover of Company and subsidiaries | 5 | 130,252 | 156,281 |
| Properties operating expenses | | (21,937) | (22,846) |
| Staff costs | | (6,690) | (6,351) |
| Depreciation | | (1,082) | (147) |
| Other expenses | | (2,359) | (2,837) |
| | | (32,068) | (32,181) |
| Operating profit | 4 | 98,184 | 124,100 |
| Share of results of associates | | 50,712 | (19,146) |
| Change in fair value of investment properties | | 199,265 | 123,238 |
| Other gains and losses | 6 | (50) | 78,204 |
| Finance costs | | (25,416) | (21,307) |
| Profit before taxation | 7 | 322,695 | 285,089 |
| Taxation | | | |
| – current | 8 | (8,632) | (7,685) |
| – deferred | 8 | (5,076) | (4,744) |
| Profit for the period | | 308,987 | 272,660 |
| Profit attributable to: | | | |
| Shareholders of the Company | | 277,812 | 235,128 |
| Non-controlling interests | | 31,175 | 37,532 |
| | | 308,987 | 272,660 |
| Interim dividend | 9 | 17,311 | 16,157 |
| | | HK cents | HK cents |
| Earnings per share | 10 | 24.07 | 20.37 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended | |
|--|--------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 308,987 | 272,660 |
| Other comprehensive income/(expense) | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Change in fair value of available for sale investments | | |
| in subsidiaries | 50,247 | (493) |
| Exchange difference on translation of associates | 1,254 | 7,639 |
| | 51,501 | 7,146 |
| Total comprehensive income for the period | 360,488 | 279,806 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 327,830 | 247,795 |
| Non-controlling interests | 32,658 | 32,011 |
| | 360,488 | 279,806 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 September | 31 March |
|--|-------|---------------------|-----------|
| | | 2017 | 2017 |
| | | (Unaudited) | (Audited) |
| | Notes | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 11 | 6,881,900 | 6,675,600 |
| Associates | | 2,034,331 | 1,069,978 |
| Available for sale investments | 17 | 452,762 | 428,680 |
| Property, plant & equipment | | 5,434 | 1,842 |
| Deposits paid for acquisition of additional interest in an associate | | – | 459,444 |
| Other assets | | 300 | 300 |
| | | 9,374,727 | 8,635,844 |
| Current assets | | | |
| Debtors, advances & prepayments | 12 | 31,564 | 30,566 |
| Available for sale investments | 17 | 15,667 | 85,060 |
| Financial assets at fair value | | 1,329 | 1,349 |
| Cash & bank balances | 13 | 140,402 | 472,473 |
| | | 188,962 | 589,448 |
| Total assets | | 9,563,689 | 9,225,292 |
| EQUITY | | | |
| Share capital | | 115,404 | 115,404 |
| Reserves | | 6,123,634 | 5,795,804 |
| Shareholders' funds | | 6,239,038 | 5,911,208 |
| Non-controlling interests | | 891,083 | 900,425 |
| Total equity | | 7,130,121 | 6,811,633 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | 30 September 2017 (Unaudited) HK\$'000 | 31 March 2017 (Audited) HK\$'000 |
|-------------------------------------|-------|---|---|
| | Notes | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Creditors & accruals | 14 | 45,699 | 51,633 |
| Secured bank loans | 15 | 2,278,287 | 1,413,769 |
| Deferred taxation | | 52,579 | 47,503 |
| | | 2,376,565 | 1,512,905 |
| Current liabilities | | | |
| Creditors & accruals | 14 | 44,573 | 34,530 |
| Obligation under finance lease | | 1,479 | 1,018 |
| Secured bank loans | 15 | – | 863,500 |
| Tax liabilities | | 10,951 | 1,706 |
| | | 57,003 | 900,754 |
| Total liabilities | | 2,433,568 | 2,413,659 |
| Total equity and liabilities | | 9,563,689 | 9,225,292 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company

| | Share capital | Share premium | Capital reserve & contributed surplus | Exchange reserve | Investment revaluation reserve | Property revaluation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|----------------|----------------|---------------------------------------|------------------|--------------------------------|------------------------------|-------------------|------------------|---------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2017 | 115,404 | 547,748 | 41,242 | (10,900) | 102,415 | 174,497 | 4,940,802 | 5,911,208 | 900,425 | 6,811,633 |
| Fair value change of available for sale investments | | | | | | | | | | |
| – subsidiaries | - | - | - | - | 48,764 | - | - | 48,764 | - | 48,764 |
| – non-controlling interests | - | - | - | - | - | - | - | - | 1,483 | 1,483 |
| Exchange on translation of associates | - | - | - | 1,254 | - | - | - | 1,254 | - | 1,254 |
| Profit for the period | - | - | - | - | - | - | 277,812 | 277,812 | 31,175 | 308,987 |
| Total comprehensive income for the period | - | - | - | 1,254 | 48,764 | - | 277,812 | 327,830 | 32,658 | 360,488 |
| Distribution to non-controlling interests | - | - | - | - | - | - | - | - | (42,000) | (42,000) |
| As at 30 September 2017 | 115,404 | 547,748 | 41,242 | (9,646) | 151,179 | 174,497 | 5,218,614 | 6,239,038 | 891,083 | 7,130,121 |
| At 1 April 2016 | 115,404 | 547,748 | 41,242 | (29,638) | 95,640 | 174,497 | 4,184,083 | 5,128,976 | 830,787 | 5,959,763 |
| Fair value change of available for sale investments | | | | | | | | | | |
| – subsidiaries | - | - | - | - | 5,028 | - | - | 5,028 | - | 5,028 |
| – non-controlling interests | - | - | - | - | - | - | - | - | (5,521) | (5,521) |
| Exchange on translation of associates | - | - | - | 7,639 | - | - | - | 7,639 | - | 7,639 |
| Profit for the period | - | - | - | - | - | - | 235,128 | 235,128 | 37,532 | 272,660 |
| Total comprehensive income for the period | - | - | - | 7,639 | 5,028 | - | 235,128 | 247,795 | 32,011 | 279,806 |
| Distribution to non-controlling interests | - | - | - | - | - | - | - | - | (25,452) | (25,452) |
| As at 30 September 2016 | 115,404 | 547,748 | 41,242 | (21,999) | 100,668 | 174,497 | 4,419,211 | 5,376,771 | 837,346 | 6,214,117 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 September | |
|--|--|-------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash inflow from operating activities | 90,594 | 118,330 |
| Cash flows from investing activities | | |
| Interest received | 2,419 | 1,717 |
| Dividend received | 5,570 | 21,498 |
| Addition to investment properties | (7,035) | (6,162) |
| Associates: | | |
| Advance to associates | (3) | (14) |
| Distribution from associates | 612 | – |
| Acquisition of additional interest in an associate | (453,552) | – |
| Available for sale investments: | | |
| Purchase of available for sale investments | (798) | (161,465) |
| Distribution from available for sale investments | 121 | 969 |
| Proceeds on disposal of available for sale investments | 96,785 | 239,857 |
| Property, plant & equipment: | | |
| Purchase of property, plant & equipment | (79) | – |
| Proceeds on disposal of property, plant & equipment | 180 | – |
| Deposit paid on acquisition of a subsidiary | – | (64,800) |
| Proceeds on disposal of a subsidiary | – | 68,795 |
| Net cash (used in)/generated from investing activities | (355,780) | 100,395 |
| Cash flows from financing activities | | |
| Interest paid | (20,573) | (16,935) |
| Other finance cost paid | (4,936) | – |
| Distributions to non-controlling interest shareholders | (42,000) | (25,452) |
| Bank loan raised | 1,018 | – |
| Bank loan repaid | – | (50,128) |
| Hire purchase loan repaid | (118) | – |
| Net cash used in financing activities | (66,609) | (92,515) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | For the six months ended | |
|--|--------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net (decrease)/increase in cash and cash equivalents | (331,795) | 126,210 |
| Effect of foreign exchange rate changes | (276) | (1,223) |
| Cash and cash equivalents at the beginning of the period | 472,473 | 108,482 |
| Cash and cash equivalents at the end of the period | 140,402 | 233,469 |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances, cash and deposits placed with banks up to three months' maturity | 140,402 | 233,469 |

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Application of Hong Kong Financial Reporting Standards (“HKFRSs”) and Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 March 2017, except for the changes set out below.

During the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA which are relevant to its operations.

| | |
|------------------------|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | Part of the Annual Improvements to HKFRSs 2014-2016 Cycle |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. Financial Risks Management

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. There have been no changes in the Group’s financial risk management policies and procedures since year ended 31 March 2017.

4. Segment Information

Segment information is presented in respect of the Group primary business segment. In accordance with the internal financial reporting of the Group provided to the chief operating decision maker (i.e. Board of Directors) for the purposes of allocating resources to segments, assessing their performance and making strategic decisions, the reportable segments are (i) property and hotels and (ii) investments and others.

The following is an analysis of the Group's turnover and results by reportable and operating segments for the period under review:

Segment Result

For the six months ended 30 September 2017 (30 September 2016)

| | Property and hotels | | Investments and others | | Consolidated | |
|---|---------------------|------------------|------------------------|------------------|------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Segment turnover | | | | | | |
| Company and subsidiaries | 122,205 | 132,948 | 8,047 | 23,333 | 130,252 | 156,281 |
| Segment result | | | | | | |
| Unallocated corporate expenses | 90,739 | 101,166 | 7,724 | 23,094 | 98,463 | 124,260 |
| | | | | | (279) | (160) |
| Operating profit | | | | | 98,184 | 124,100 |
| Share of results of associates | 50,712 | (19,146) | – | – | 50,712 | (19,146) |
| Change in fair value of investment properties | 199,265 | 123,238 | – | – | 199,265 | 123,238 |
| Other gains and losses | – | 2,150 | (50) | 76,054 | (50) | 78,204 |
| Finance costs | | | | | (25,416) | (21,307) |
| Profit before taxation | | | | | 322,695 | 285,089 |
| Other information | | | | | | |
| Capital expenditure | 460,590 | 6,176 | 877 | 161,465 | 461,467 | 167,641 |

Segment result represents the profit earned by each segment without allocation of general administrative expenses incurred by corporate office, share of results of associates, change in fair value of investment properties, finance costs, other gains and losses and taxation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

4. Segment Information (Continued)

Segment Assets and Liabilities

As at 30 September 2017 (31 March 2017)

| | Property and hotels | | Investments and others | | Consolidated | |
|-----------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
| Segment assets | 7,114,261 | 7,379,846 | 415,097 | 775,468 | 7,529,358 | 8,155,314 |
| Investment in associates | 2,034,331 | 1,069,978 | - | - | 2,034,331 | 1,069,978 |
| Consolidated total assets | | | | | 9,563,689 | 9,225,292 |
| Segment liabilities | (2,431,883) | (2,412,851) | (650) | (40) | (2,432,533) | (2,412,891) |
| Unallocated corporate liabilities | | | | | (1,035) | (768) |
| Consolidated total liabilities | | | | | (2,433,568) | (2,413,659) |

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than investment in associates.
- all liabilities are allocated to reportable and operating segments other than creditors and accruals of investment holding companies.

Geographical Segments

In geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Overseas segments mainly include China, Thailand and Malaysia.

For the six months ended 30 September 2017 (30 September 2016)

| | Segment revenue | |
|-----------|------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Hong Kong | 127,244 | 137,520 |
| Overseas | 3,008 | 18,761 |
| | 130,252 | 156,281 |

4. Segment Information (Continued)

Geographical Segments (Continued)

As at 30 September 2017 (31 March 2017)

| | Segment assets | |
|-----------|----------------------------------|------------------------------|
| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
| Hong Kong | 7,147,309 | 7,401,660 |
| Overseas | 382,049 | 753,654 |
| | 7,529,358 | 8,155,314 |

5. Turnover

| | 2017 HK\$'000 | 2016 HK\$'000 |
|----------------------------|------------------|------------------|
| Rental income | 105,801 | 109,362 |
| Property expenses recovery | 16,404 | 23,586 |
| Dividend income | 5,570 | 21,498 |
| Interest income | 2,477 | 1,821 |
| Others | – | 14 |
| | 130,252 | 156,281 |

6. Other Gains and Losses

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Net gain on disposal of available for sale investments | 550 | 77,279 |
| Gain on disposal of a subsidiary | – | 2,150 |
| Fixed assets written off | (304) | – |
| Decrease in fair value of financial assets | (20) | (1) |
| Exchange loss | (276) | (1,224) |
| | (50) | 78,204 |

7. Profit Before Taxation

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation has been arrived at after charging: | | |
| Interest on bank loans wholly repayable within five years | 20,480 | 21,307 |
| Staff costs (including directors' remuneration) | | |
| Salaries, wages and other benefits | 6,577 | 6,244 |
| Pension scheme contributions | 113 | 107 |
| Auditors' remuneration | 269 | 271 |
| Depreciation | 1,082 | 147 |
| Exchange loss | 276 | 1,224 |
| and after crediting: | | |
| Rental income from investment properties | 105,801 | 109,362 |
| Less: (direct outgoings)/add: other income | (4,383) | 1,083 |
| Listed investment income | 5,561 | 5,867 |
| Unlisted investment income | 9 | 15,631 |
| Interest income | 2,477 | 1,821 |

8. Taxation

| | 2017 | | | 2016 | | |
|----------------------------------|---------------------------------|----------------------------------|-------------------|---------------------------------|----------------------------------|-------------------|
| | 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 | 8,632 | 4,501 | 13,133 | 7,685 | 4,894 | 12,579 |
| Overseas | - | 575 | 575 | - | (150) | (150) |
| | 8,632 | 5,076 | 13,708 | 7,685 | 4,744 | 12,429 |

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) 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.

9. Interim Dividend

The Board of Directors declares an interim dividend of HK1.50 cents (2016: HK1.40 cents) per ordinary share, totaling HK\$17,311,000 for the six months ended 30 September 2017 (2016: HK\$16,157,000) to shareholders whose names appear on the register of members of the Company at the close of business on 22 December 2017. This amount is not included as a liability in these interim financial statements.

10. Earnings Per Share

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$277,812,000 (2016: HK\$235,128,000) and on the 1,154,038,656 shares (2016: 1,154,038,656 shares) in issue during the period.

No diluted earnings per share have been presented for the periods ended 30 September 2017 and 30 September 2016 as the Company had no dilutive potential ordinary shares during both periods.

11. Investment Properties

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|---|---|------------------------------|
| At Valuation at 31 March 2017 (31 March 2016) | 6,675,600 | 6,353,900 |
| Additions | 7,035 | 17,347 |
| Addition upon acquisition of a subsidiary | – | 652,000 |
| Disposal of a subsidiary | – | (780,109) |
| Revaluation | 199,265 | 432,462 |
| At 30 September 2017 (31 March 2017) | 6,881,900 | 6,675,600 |

All the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties have been valued at 30 September 2017 and 31 March 2017 by AA Property Services Limited, independent professional valuers, who have recognized relevant professional qualifications and experiences in valuation of properties. The directors had on-going discussions with the surveyors upon producing the valuation reports in respect of valuation assumption use and other inputs relevant for the valuations of the Group's investment properties.

As at 30 September 2017 and 31 March 2017, the fair value of the investment properties were determined on the basis of capitalization of the net income receivable with due allowance for reversionary income potential.

12. Debtors, Advances & Prepayments

Debtors, advances & prepayments comprised the following:

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--------------------------------|---|------------------------------|
| Deferred rental receivables | 17,502 | 19,823 |
| Other deposits and prepayments | 10,947 | 8,682 |
| Trade and rental debtors | 3,115 | 2,061 |
| | 31,564 | 30,566 |

Trade and rental debtors mainly comprise rental receivables. Rent from leasing of investment properties are normally received in advance.

At the reporting date, the aging analysis of the trade and rental debtors was as follows:

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--------------|---|------------------------------|
| 0 – 30 days | 3,074 | 1,965 |
| 31 – 60 days | 39 | 58 |
| 61 – 90 days | - | 7 |
| > 90 days | 2 | 31 |
| | 3,115 | 2,061 |

The Group considered the above trade and rental debtors are fully recoverable. The Group has not made any provision for bad and doubtful debts during the period and for the year ended 31 March 2017.

13. Cash & Bank Balances

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|---------------------------|---|------------------------------|
| Cash at bank and in hand | 34,919 | 96,759 |
| Short-term bank deposits | 105,483 | 375,714 |
| Cash and cash equivalents | 140,402 | 472,473 |

14. Creditors & Accruals

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|---|---|------------------------------|
| Creditors and accruals (due within one year) | | |
| Rental deposit received | 24,764 | 16,350 |
| Accruals | 16,023 | 14,862 |
| Trade payables | 3,786 | 3,318 |
| | 44,573 | 34,530 |
| Creditors and accruals (due more than one year) | | |
| Rental deposit received | 45,699 | 51,633 |
| | 90,272 | 86,163 |

At the reporting date, the aging analysis of the trade payables based on the date of the invoices was as follows:

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--------------|---|------------------------------|
| 0 – 30 days | 2,940 | 2,593 |
| 31 – 60 days | 427 | 307 |
| 61 – 90 days | 120 | 198 |
| > 90 days | 299 | 220 |
| | 3,786 | 3,318 |

15. Secured Bank Loans

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--|---|------------------------------|
| Current | | |
| Repayable within one year | – | 863,500 |
| Non-current | | |
| Repayable more than one year but not exceeding two years | 1,014,787 | 1,013,769 |
| Repayable more than two years but not exceeding five years | 1,263,500 | 400,000 |
| | 2,278,287 | 1,413,769 |

As at 30 September 2017 and 31 March 2017, all bank loans were denominated in Hong Kong dollars. The effective interest rate at 30 September 2017 was 1.82% p.a. (31 March 2017: 1.88% p.a.).

16. Guarantees & Commitments

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--|---|------------------------------|
| Guarantees | | |
| – given to bank in respect of banking facilities utilized by subsidiaries of the Company | 1,878,200 | 1,878,200 |
| Commitments (contracted but not provided for) | | |
| – for total future minimum lease payments in respect of land and buildings | | |
| – not later than one year | 3,988 | 2,668 |
| – later than one year and not later than five years | 2,254 | 2,880 |
| – for purchase of available for sale investments | | |
| – not later than one year | 3,821 | 4,488 |
| – for acquisition of additional interest in an associate | | |
| – not later than one year | – | 459,444 |
| | 1,888,263 | 2,347,680 |

17. Fair Value Measurement of Financial Instruments

The Group's financial instruments are classified as available for sale investments and financial assets at fair value, which are measured at fair value. The financial instruments are grouped into 3 levels based on the degree to which the inputs to the fair value measurements are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of the Group's financial instruments that are grouped into different levels of fair value measurements.

| | 30 September 2017 | | | 31 March 2017 | | |
|---|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
| | HK\$'000 Level 1 | HK\$'000 Level 3 | HK\$'000 Total | HK\$'000 Level 1 | HK\$'000 Level 3 | HK\$'000 Total |
| Non-current | | | | | | |
| Listed equity investments | | | | | | |
| In Hong Kong | 134,587 | - | 134,587 | 124,702 | - | 124,702 |
| Outside Hong Kong | 111,728 | - | 111,728 | 97,256 | - | 97,256 |
| Listed debt securities/ investment funds | | | | | | |
| In Hong Kong | 7,076 | - | 7,076 | 7,186 | - | 7,186 |
| Outside Hong Kong | 69,340 | - | 69,340 | 82,427 | - | 82,427 |
| Unlisted equity investments | | | | | | |
| In Hong Kong | - | 37 | 37 | - | 37 | 37 |
| Outside Hong Kong | - | 124,471 | 124,471 | - | 112,254 | 112,254 |
| Unlisted investment funds | | | | | | |
| Outside Hong Kong | - | 5,523 | 5,523 | - | 4,818 | 4,818 |
| | 322,731 | 130,031 | 452,762 | 311,571 | 117,109 | 428,680 |
| Current | | | | | | |
| Listed debt securities | | | | | | |
| In Hong Kong | 15,667 | - | 15,667 | 15,869 | - | 15,869 |
| Outside Hong Kong | - | - | - | 69,191 | - | 69,191 |
| | 15,667 | - | 15,667 | 85,060 | - | 85,060 |

17. Fair Value Measurement of Financial Instruments (Continued)

As at 30 September 2017, the Group had no Level 2 financial instruments. There were no transfers or reclassifications of financial assets during the period ended 30 September 2017.

The fair value of the listed investments are measured using quoted prices in active market (level 1 inputs). They are derived from the current bid price of the listed shares, debt securities and investment funds at reporting date.

For unlisted investments that do not have quoted market price in active markets, they are measured using valuation techniques in which any significant input is based on observable market data (level 3 inputs). They are derived from the net asset value of the investments.

The following table shows the movement of Level 3 financial instruments during the year:

| | 30 September 2017 HK\$'000 | 31 March 2017 HK\$'000 |
|--|---|------------------------------|
| Unlisted available for sale investments | | |
| At 1 April 2017 (1 April 2016) | 117,109 | 158,828 |
| Additions | 798 | 692 |
| Disposals | - | (24,056) |
| Return of capital | (120) | (20) |
| Gain on disposal | - | 656 |
| Total gains or losses: | | |
| In other comprehensive income as change in fair value of available for sale investments of subsidiaries | 12,244 | (18,991) |
| At 30 September 2017 (31 March 2017) | 130,031 | 117,109 |

18. Related Party Transactions

(a) Transaction with related party

Based on a lease agreement signed with a related company, rental income of HK\$3,763,000 (2016: HK\$1,898,000) was accounted for during the interim period.

(b) Key management personnel compensation

The remuneration of key management personal (Executive Directors) during the period were as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-----------------------------------|--------------------------------|------------------|
| Fees | 125 | 125 |
| Salaries, allowances and benefits | 4,198 | 4,075 |
| Pension scheme contributions | 25 | 24 |
| | 4,348 | 4,224 |

BUSINESS REVIEW

Global stock markets reached new heights in 2017 on the back of ample liquidity and renewed confidence in synchronized growth for much of the world's major economies. What is remarkable was this buoyant performance occurred in spite of geopolitical tensions, sporadic terror attacks, and quantitative tapering announced by the US Fed.

In China, growth in the real estate sector slowed down in the tier one and large tier two cities after the government re-introduced many of the market cooling measures taken off in the prior two years in order to stabilize the market. At the same time, prices and volume continued to grow in lower tier cities as unsold inventories dropped from previously unhealthy levels. Despite sharp price increases during this real estate growth cycle, the government's policy responses have been appropriate and appears to have a good handle on the market. At the 19th National Congress, the Central Government declared its intentions to promote rental housing, which shall help to alleviate social pressure in the nation's large urban areas. Furthermore, the Chinese economy has continued its transition from the traditional export/manufacturing driven growth model to one led by sustainable domestic consumption, services, and technology. In particular, the technology sector has been the star performer, led by a strong group of world class companies and entrepreneurs. These companies have also helped to spawn and inspire many new technology start-ups. This points to a very bright future for the Chinese economy, as the stage is set for the country to become one of the world leaders in high value-add sectors such as artificial intelligence (A.I.), fintech, e-commerce, renewable energy, and green technologies.

In Hong Kong, both residential and commercial real estate prices continued their unrelenting rise to yet another year of record highs. However, the two key factors (namely supply/demand imbalance and low interest rates pegged to historically low US rates) that have driven the growth in real estate prices in the city during the past decade are both dissipating. At this point, it is difficult to predict the sustainability of this bull market in Hong Kong given the rising trend in US interest rate (and thus the pegged Hong Kong interest rate) and the indication that the US Fed is paring back its balance sheet.

In 2017, Thailand's tourism arrival numbers continued to grow, with China being the largest source country. Some of the negative effects affecting the Thai hotel industry in 2016 has subsided in 2017. After dropping for two quarters since the Thai government began to crack down on "zero dollar" cheap Chinese tours, Chinese tourist numbers regained its growth trend in Q2 and Q3 of 2017. In addition, the mourning effects from the death of HM King Bhumibol in October 2016 (which led to a downturn in domestic tourism and events business) began to turn in Q3 2017 as the country started to emerge from its year long mourning period. Barring any unexpected events, it is expected that the Thai tourism sector shall perform strongly during the coming Q4 and Q1 2018 high season.

For the six months ended 30 September 2017, the Group had total turnover (including share of associates) of HK\$289.7 million, a 15.6% rise from HK\$250.6 million in 2016. The higher turnover is due mainly to the increase in shareholding in InterContinental Hong Kong from 10% to 30%. On the other hand, due to the loss of rental income after the sale of the Pemberton Building and the decrease of investment income, operating profit during the period only amounted to HK\$98.2 million, representing a decrease of 20.9% from a year ago (2016: HK\$124.1 million). During this interim period, the Group's share of results of associates increased to a profit of HK\$50.7 million, from a loss of HK\$19.1 million, on the back of increased contributions from our hotels in Hong Kong and Thailand. In addition, investment properties contributed fair value gains of HK\$199.3 million (2016: HK\$123.2 million). For the six months period ended 30 September 2017, the Group's net profits attributable to shareholders was HK\$277.8 million (2016: HK\$235.1 million).

Property Investments (Hong Kong and China)

As at 30 September 2017, the Group's investment property Pioneer Place (245,678 sq. ft.) in Kwun Tong, Hong Kong had an occupancy rate of 77%, up from 65% a year ago. Due to increasing new supply in the Kowloon East new Central Business District ("CBD") area, leasing of the remaining space in the building has proved to be challenging. However, the current rental rates are substantially higher than rental rates prior to the revitalization of the building and we continue to be optimistic about the long term prospects of the Kowloon East new CBD area. For the reporting period ended 30 September 2017, Pioneer Place contributed rental and related revenues of HK\$27.4 million and a fair value increase of HK\$40.0 million.

The Group owns 60% in the 68 Yee Wo Street Building (229,200 sq. ft.) in Causeway Bay, Hong Kong. This investment property has continued to perform well, with an occupancy rate of 97% at the close of the financial period. For the six months ended 30 September 2017, the property contributed rental and related revenues of HK\$61.9 million and a fair value increase of HK\$45.7 million to the Group.

The Club Lusitano Building (80,100 sq. ft.) in Central, Hong Kong has also continued to perform strongly, enjoying an occupancy rate of 96% and rising rental rates. For the reporting period, the property contributed HK\$25.6 million in rental and related revenues and HK\$99.0 million in fair value increase to the Group.

In February 2017, the Group acquired the holding company that owns the 56,740 sq. ft. commercial podium of Kiu Fat Building (115-119 Queen's Road West) in Sai Ying Pun, Hong Kong. As at 30 September 2017, this property had an occupancy of 66%. The property contributed HK\$7.0 million in rental and related revenues and HK\$11.2 million in fair value increase to the Group during the reporting period.

The Group has investments in K. Wah Centre (7.7%) and Ciro's Plaza (4.0%) both of which are located in Shanghai, China. During the interim period, both properties performed well with occupancies of 97% and 84% respectively.

Hotel Investments (Hong Kong and Thailand)

The Group's investments in the hotel industry have all been made through associated companies.

In June 2017, the Group acquired an additional 20% in InterContinental Hong Kong from our joint venture partners, bringing our total shareholding in the asset to 30%. This additional acquisition valued the hotel at HK\$7.7 billion. The 503 rooms InterContinental Hong Kong is one of the leading 5 star hotels in the territory and world renowned for its commanding harbor view and Michelin star restaurants. The Group believes the hotel is a unique and attractive asset and plans to hold it on a long term basis. The joint venture is currently working on plans to upgrade the hotel's guest rooms and facilities, with renovation works expected to commence in 2019. For the six months ended 30 September 2017, the hotel generated revenues of HK\$476.9 million and operating profit of HK\$124.4 million. During the period, InterContinental Hong Kong continued to maintain a high average occupancy rate of 84%.

For the six months ended 30 September 2017, the Pullman Bangkok Hotel G (owned by the Group's 49.5% owned associated company) had revenues of Baht263.6 million (HK\$60.2 million equivalent) (2016: Baht251.4 million, HK\$55.1 million equivalent) and operating profit of Baht86.2 million (HK\$19.7 million equivalent) (2016: Baht85.5 million, HK\$18.7 million equivalent). Average occupancy during the period was 83%.

During the same period, the Pullman Pattaya Hotel G (held by the Group through the same 49.5% owned associate that holds the Pullman Bangkok Hotel G) had revenues of Baht178.3 million (HK\$40.7 million equivalent) (2016: Baht175.3 million, HK\$38.4 million equivalent) and operating profit of Baht63.0 million (HK\$14.4 million equivalent) (2016: Baht60.7 million, HK\$13.3 million equivalent), with an average occupancy rate of 78%.

PROSPECTS

After successfully disposing several assets during the prior financial year and making new investments in the Sai Ying Pun asset and the additional stake in InterContinental Hong Kong, the Group plans to continue to stabilize and enhance the performance of our existing asset portfolio while looking out for new investment opportunities. Our balance sheet continues to be strong and will allow the Group to look for new opportunities as they arise. However, given the buoyant markets and changing environments, we will be cautious in our investment plans.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to enjoy a strong and healthy financial position with cash & bank balances of HK\$140.4 million and marketable securities of HK\$339.7 million. At 30 September 2017, the total bank borrowings were HK\$2,278.3 million (31 March 2017: HK\$2,277.3 million). The borrowings were mainly mortgaged loans used to finance acquisition of investment properties. At 30 September 2017, the Group's total debts to total assets ratio was 23.8% (31 March 2017: 24.7%) and net debts to total assets ratio was 22.4% (31 March 2017: 19.6%).

Treasury Policies

The Group continues to adopt a prudent approach to manage its cash and debt.

The Group's exposure to foreign currency risk is small as the Group's financial assets and liabilities are substantially denominated in Hong Kong dollars and United States dollars. However, the Group will closely monitor the foreign currency exposure and utilize forward exchange contracts when considered necessary.

As at 30 September 2017, all of the Group's bank borrowings were in Hong Kong dollars and on a floating interest rate basis. The effective interest rate of the bank borrowings was 1.82% p.a. (31 March 2017: 1.88% p.a.).

Pledge of Assets

As at 30 September 2017, investment properties with a carrying value of approximately HK\$6,823.0 million (31 March 2017: HK\$6,620.0 million) were pledged to secure bank loan facilities to the extent of HK\$2,278.3 million (31 March 2017: HK\$2,277.3 million), among which HK\$2,278.3 million (31 March 2017: HK\$2,277.3 million) has been utilized.

Contingent Liabilities

As at the reporting date, the Group had guarantees HK\$1,878.2 million (31 March 2017: HK\$1,878.2 million) given to bank in respect of banking facilities utilized by subsidiaries.

EMPLOYEES

As at 30 September 2017, the number of salaried staff at the holding company level was 18 (31 March 2017: 18). 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.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2017, 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 Part XV 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 (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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) adopted by the Company to be notified to the Company and the Stock Exchange.

Long Position in Shares of the Company

| Name of director | Number of ordinary shares | | | | |
|------------------|---------------------------|--|--------------------------------|-------------|-------|
| | Personal interests | Interests held by controlled corporation | Interests held by family trust | Total | % |
| Rossana Wang Gaw | 100,000 | 25,174,731 ¹ | 215,768,260 ² | 241,042,991 | 20.89 |
| Kenneth Gaw | 61,418,428 | 12,725,857 ³ | 41,305,864 ⁴ | 115,450,149 | 10.00 |
| Christina Gaw | – | 19,699,216 ⁵ | – | 19,699,216 | 1.71 |
| Stephen Tan | – | 4,440,754 ⁶ | – | 4,440,754 | 0.38 |

- Mrs. Rossana Wang Gaw owns the entire issue share capital of Vitality Holdings Limited, which was beneficially interested in 25,174,731 shares.
- Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 215,768,260 shares.
- Mr. Kenneth Gaw owns the entire issued share capital of Top Elite Company Limited, which was beneficially interested in 12,725,857 shares.
- Family trust of which Mr. Kenneth Gaw is the sole beneficiary held an aggregate of 41,305,864 shares.
- Ms. Christina Gaw owns the entire issued share capital of Eternity Rich Investments Ltd., which was beneficially interested in 19,699,216 shares.
- Mr. Stephen Tan and his spouse together own 0.59% issued share capital of Bangkok Mercantile (Hong Kong) Company Limited, which was beneficially interested in 4,440,754 shares. Mr. Stephen Tan is the Chairman of Bangkok Mercantile (Hong Kong) Company Limited and its directors are accustomed to act in accordance with the direction of Mr. Stephen Tan.

Long Position in Shares of Associated Corporations

| Name of company | Name of director | Number of ordinary shares held by controlled corporation | % |
|--|-------------------------|---|----------|
| Pioneer Hospitality Siam (GBR) Limited | Rossana Wang Gaw | 30,300,000* | 50.5 |
| Pioneer Hospitality Siam (GBR) Limited | Kenneth Gaw | 30,300,000* | 50.5 |
| Keencity Properties Limited | Rossana Wang Gaw | 5,019,205* | 50.5 |
| Keencity Properties Limited | Kenneth Gaw | 5,019,205* | 50.5 |

* Interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO.

Save as disclosed above, as at 30 September 2017, 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 Part XV 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 adopted by the Company to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2017, so far as the Directors were aware, the following persons (other than a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

| Name of shareholder | Number of ordinary shares | % |
|--|--------------------------------------|----------|
| Asset-Plus Investments Ltd. | 115,403,866 | 10.00 |
| Forward Investments Inc. | 283,200,215 | 24.54 |
| Intercontinental Enterprises Corporation | 215,768,260 ¹ | 18.70 |
| Prosperous Island Limited | 97,324,936 | 8.43 |

1 Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 215,768,260 shares, which duplicated to those disclosed in "Long Position in Shares of the Company".

Save as disclosed above, the Directors were not aware of any other persons (other than a director or chief executive of the Company) who, as at 30 September 2017, had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 September 2017, no outstanding options granted under the share option scheme. During the six months period ended 30 September 2017, none of the directors had exercised any rights to subscribe for shares of the Company or any other body corporate.

INTERIM DIVIDEND

The Board of Directors recommends the payment of an interim dividend for the six months ended 30 September 2017 at the rate of HK1.50 cents per share (2016: HK1.40 cents), payable on 23 January 2018 to all persons registered as shareholders on 22 December 2017. The transfer books and register of members of the Company will be closed from 20 December 2017 to 22 December 2017, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 19 December 2017.

REVIEW OF INTERIM REPORT

The Audit Committee comprises three independent non-executive directors, including Dr. Charles Wai Bun Cheung, JP, Mr. Stephen Tan and Mr. Arnold Tin Chee Ip. The Committee has reviewed and recommended for board approval of the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 September 2017, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for deviation from code provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive directors and other non-executive directors should attend general meetings. Due to his prior business commitment, Dr. Charles Wai Bun Cheung, JP, an independent non-executive director, was unable to attend the annual general meeting of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. The Company having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard set out in the Model Code throughout the period ended 30 September 2017.

By Order of the Board

Kenneth Gaw

Managing Director

Hong Kong, 28 November 2017