Pioneer

PIONEER GLOBAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00224)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Turnover			
Company and subsidiaries		**264,576**	295,049
Share of associates *(Note a)*		**411,190**	206,876
		675,766	501,925
Turnover of Company and subsidiaries	*4*	**264,576**	295,049
Properties operating expenses		**(42,406)**	(44,403)
Staff costs		**(24,150)**	(18,117)
Depreciation		**(1,814)**	(341)
Other expenses		**(4,320)**	(4,721)
		(72,690)	(67,582)

	Notes	For the year ended 31 March **2018** *HK$'000*	2017 *HK$'000*
Operating profit	*3*	**191,886**	227,467
Share of profits of associates		**133,469**	31,220
Change in fair value of investment properties		**475,497**	432,462
Other gains and losses	*5*	**2,295**	285,742
Finance costs	*6*	**(50,411)**	(44,971)
Profit before taxation	*7*	**752,736**	931,920
Taxation			
Current	*8*	**(16,684)**	(28,789)
Deferred	*8*	**(7,667)**	4,110
Profit for the year		**728,385**	907,241
Profit attributable to:			
Shareholders of the Company		**623,498**	805,189
Non-controlling interests		**104,887**	102,052
		728,385	907,241
		HK cents	*HK cents*
Earnings per share	*10*	**54.03**	69.77

Note a: The amounts represent turnover generated by associates at the percentage of the Group's equity interest in associates.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**728,385**	907,241
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available for sale investments		
– subsidiaries	**121,379**	42,912
– associates	**–**	(43,098)
Exchange difference on translation of associates	**36,820**	23,000
Release of exchange reserve upon disposal of associates	**–**	(4,262)
Other comprehensive income for the year, net of tax	**158,199**	18,552
Total comprehensive income for the year	**886,584**	925,793
Total comprehensive income attributable to:		
Shareholders of the Company	**762,625**	830,702
Non-controlling interests	**123,959**	95,091
	886,584	925,793

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 31 March 2018** *HK$'000*	At 31 March 2017 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**7,158,000**	6,675,600
Associates		**2,111,862**	1,069,978
Available for sale investments		**530,141**	428,680
Deposits paid for acquisition of additional interest in an associate		**–**	459,444
Property, plant & equipment			
Other assets		**4,979**	1,842
		300	300
		9,805,282	8,635,844
Current assets			
Debtors, advances & prepayments	*11*	**25,464**	30,566
Available for sale investments		**–**	85,060
Financial assets at fair value		**1,326**	1,349
Cash & bank balances		**198,109**	472,473
		224,899	589,448
Total assets		**10,030,181**	9,225,292
EQUITY			
Share capital		**115,404**	115,404
Reserves		**6,506,497**	5,795,804
Shareholders' funds		**6,621,901**	5,911,208
Non-controlling interests		**982,384**	900,425
Total equity		**7,604,285**	6,811,633

	Notes	At 31 March 2018 *HK$'000*	At 31 March 2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Creditors & accruals	*12*	**47,073**	51,633
Secured bank loans		**1,263,500**	1,413,769
Obligations under finance lease		**1,008**	–
Deferred taxation		**55,170**	47,503
		1,366,751	1,512,905
Current liabilities			
Creditors & accruals	*12*	**42,200**	34,530
Secured bank loans		**1,015,804**	863,500
Obligations under finance lease		**320**	1,018
Tax liabilities		**821**	1,706
		1,059,145	900,754
Total liabilities		**2,425,896**	2,413,659
Total equity and liabilities		**10,030,181**	9,225,292

Notes:

1. **BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND PRINCIPAL ACCOUNTING POLICIES**

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

During the current year, 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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

A reconciliation between the opening and closing balances of financing liabilities is provided in the annual report. Based on the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	Part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2021

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9, Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of HKFRS 9

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company preliminarily anticipate, the following potential impact on initial application of HKFRS 9 which are still subject to changes until assessment is final.

Classification and measurement

Listed debt instruments classified as available for sale investments carried at fair value: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debentures are derecognized or reclassified.

Listed and unlisted equity securities classified as available for sale investments carried at fair value: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investment revaluation reserve amounting to approximately HK$204,494,000 as at 31 March 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9 on disposal, which is different from the current treatment. This will affect the amounts to be recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The Group has not yet quantified the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18, Revenue, HKAS 11, Construction contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16, Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17, Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group does not have any non-cancellable operating lease commitments. For future arrangements that will meet the definition of a lease under HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's primary business segments. 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 and operating segments are (i) property and hotels and (ii) investments and others.

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

Segment Result
For the year ended 31 March 2018 (31 March 2017)

	Property and hotels		Investments and others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover						
Company and subsidiaries	**251,691**	264,896	**12,885**	30,153	**264,576**	295,049
Segment result	**180,417**	198,546	**11,799**	29,192	**192,216**	227,738
Unallocated corporate expenses					**(330)**	(271)
Operating profit					**191,886**	227,467
Share of profits of associates	**133,469**	31,220	**–**	–	**133,469**	31,220
Change in fair value of investment properties	**475,497**	432,462	**–**	–	**475,497**	432,462
Other gains and losses	**1,465**	209,031	**830**	76,711	**2,295**	285,742
Finance costs					**(50,411)**	(44,971)
Profit before taxation					**752,736**	931,920

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

Segment Assets and Liabilities
As at 31 March 2018 (31 March 2017)

	Property and hotels		Investments and others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**7,448,068**	7,379,846	**470,251**	775,468	**7,918,319**	8,155,314
Investment in associates	**2,111,862**	1,069,978	**–**	–	**2,111,862**	1,069,978
Consolidated total assets					**10,030,181**	9,225,292
Segment liabilities	**(2,424,565)**	(2,412,851)	**(646)**	(40)	**(2,425,211)**	(2,412,891)
Unallocated corporate liabilities					**(685)**	(768)
Consolidated total liabilities					**(2,425,896)**	(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 year ended 31 March 2018 (31 March 2017)

	Segment revenue	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**259,777**	272,736
Overseas	**4,799**	22,313
	264,576	295,049

As at 31 March 2018 (31 March 2017)

	Segment assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**7,506,987**	7,401,660
Overseas	**411,332**	753,654
	7,918,319	8,155,314

4. TURNOVER

	2018	2017
	HK$'000	*HK$'000*
Rental income from property leasing	**216,244**	220,542
Property expenses recovery from tenants	**35,447**	44,354
Dividend income	**7,678**	25,695
Interest income	**5,207**	4,355
Others	**–**	103
	264,576	295,049

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Net gain on disposal of available for sale investments	**1,044**	76,795
(Decrease)/increase in fair value of financial assets	**(21)**	128
Written off of other receivables	**–**	(3,929)
Gain on disposal of subsidiaries	**–**	212,960
Gain on disposal of an associate	**–**	2,201
Other gains/(losses)	**1,272**	(2,413)
	2,295	285,742

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans	**44,342**	40,223
Interest on finance lease	**57**	33
Other finance cost	**6,012**	4,715
	50,411	44,971

7. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**23,925**	17,895
Pension scheme contributions	**225**	222
Auditors' remuneration		
Audit service	**560**	542
Non-audit service	**–**	250
Depreciation	**1,814**	341
and after crediting:		
Rental income from property leasing	**216,244**	220,542
Less: (direct outgoings)/Add: other income	**(5,069)**	3,264
Listed investment income	**7,485**	7,567
Unlisted investment income	**193**	18,128
Interest income	**5,207**	4,355
Net exchange gain/(loss)	**422**	(2,012)

8. TAXATION

		2018			2017	
	Current taxation	**Deferred taxation**	**Total**	Current taxation	Deferred taxation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Provision for the year						
Hong Kong	**16,724**	**6,817**	**23,541**	17,745	7,307	25,052
Overseas	**–**	**850**	**850**	–	(75)	(75)
(Over)/under-provision in prior years	**(40)**	**–**	**(40)**	11,044	(11,342)	(298)
	16,684	**7,667**	**24,351**	28,789	(4,110)	24,679

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) 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.

9. DIVIDEND

	2018 *HK$'000*	2017 *HK$'000*
Interim dividend of HK1.5 cents (2017: HK1.4 cents) per ordinary share	**17,311**	16,157
Proposed final cash dividend of HK3.1 cents (2017: HK3.0 cents) per ordinary share	**35,775**	34,621
	53,086	50,778
The dividends which have been paid during the year by cash are as follows:		
Interim for the year ended 31 March 2018 (2017)	**17,311**	16,157
Final for the year ended 31 March 2017 (2016)	**34,621**	32,313
	51,932	48,470

The 2018 final cash dividend of HK3.1 cents (2017: HK3.0 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 ("AGM").

10. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to shareholders amounting to approximately HK$623,498,000 (2017: approximately HK$805,189,000) and on 1,154,038,656 shares (2017: 1,154,038,656 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2018 and 31 March 2017 as the Company had no dilutive potential ordinary shares during both years.

11. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	2018 *HK$'000*	2017 *HK$'000*
Deferred rental receivables	**13,146**	19,823
Other deposits and prepayments	**6,796**	8,682
Trade and rental debtors	**5,522**	2,061
	25,464	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 based on the date of invoices was as follows:

	2018 *HK$'000*	2017 *HK$'000*
0 – 30 days	**5,239**	1,965
31 – 60 days	**269**	58
61 – 90 days	**6**	7
>90 days	**8**	31
	5,522	2,061

12. CREDITORS & ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Creditors and accruals (due within one year)		
Rental deposit received	**25,719**	16,350
Accruals	**11,122**	14,862
Trade and other payables	**5,359**	3,318
	42,200	34,530
Creditors and accruals (due more than one year)		
Rental deposit received	**47,073**	51,633
	89,273	86,163

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**3,885**	2,593
31 – 60 days	**1,008**	307
61 – 90 days	**380**	198
>90 days	**86**	220
	5,359	3,318

13. EVENT AFTER THE REPORTING DATE

On 9 May 2018, the Group sold 43,458,860 ordinary shares of Dusit Thani Public Company Limited ("Dusit") for a total consideration of Baht 434.6 million (equivalent to approximately HK$106.5 million). The Group's shareholding in Dusit has been accounted for as available for sale investments as at 31 March 2018. As a result of the disposal, the Group shall realize a net gain of approximately HK$71.1 million. After the adoption of the new accounting standard HKFRS 9, Financial instruments, HK$0.1 million will be recognized as other comprehensive income in the financial year ending 31 March 2019 and HK$71.0 million accumulated in investment revaluation reserve in previous years will be transferred to retained earnings. Following the completion of the disposal, the Company ceased to be interested in Dusit. Details of the disposal was set out in the Company's announcement dated 9 May 2018.

BUSINESS REVIEW

Driven by ample liquidity and confidence in synchronized global economic growth, markets around the world performed strongly in 2017 and much of 2018 in spite of quantitative tapering by some of the world's major central banks. Yet just as the world celebrates the best year of economic performance in a decade, dark clouds are rising from the threat of a global trade war started by the U.S., foreseeable interest rate increase, and renewed worries about the sustainability of the Euro after the election in Italy, which points to further instability ahead for the third largest economy in the Euro zone.

After a period of sustained growth in real estate prices, the Chinese government re-introduced many market cooling measures and successfully stabilized prices in tier-one cities and large tier-two cities. 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 its strict monetary tightening measures appear to be working. At the 19th National Congress, the Central Government declared its desire to promote rental housing, which is being enthusiastically embraced by many industry players, paving the way for a major new asset class in the real estate industry. Consumption, services, and technology have also rose rapidly to become the major pillars of growth for the economy, spawning many young but world class companies and entrepreneurs.

The flood of liquidity in Hong Kong's banking system has kept interest rates low and the Hong Kong dollar exchange rate near the weak end of the currency peg, pushing both residential and commercial real estate prices to record highs. Tourism numbers have reversed the downward trend of the prior two years to grow 3.2% to 58.5 million arrivals in 2017, and retail spending has also regained the growth trend. In general, all sectors of real estate industry are performing very strongly in Hong Kong despite rising interest rates and warnings from government officials and financial analysts about an impending market correction.

In Thailand, 2017 was another record year for the tourism industry, with arrival numbers growing by 8.57% to 35.4 million for the year. Negative effects on tourism from prior years, such as the crack down on "zero tour" cheap Chinese tours and the mourning effects from the death of HM King Bhumibol, subsided during the course of 2017, leading to strong performance for the hotel and tourism industry. The first quarter of 2018 has seen a continuation of this positive trend. Barring any unexpected events and until the next general election (expected to be February 2019), it is anticipated that the Thai tourism sector will continue to perform strongly for the remainder of the year.

For the year ended 31 March 2018, total turnover (including share of associates) for the Group was HK$675.8 million, a 34.6% increase from HK$501.9 million in 2017. The increase in turnover was 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 in investment income, operating profit during the year dropped to HK$191.9 million, compared to HK$227.5 million in 2017. The Group's share of results of associates increased to HK$133.5 million (2017: HK$31.2 million), due mainly to operating profits and valuation gains from InterContinental Hong Kong. Furthermore, investment properties contributed fair value gains of HK$475.5 million (2017: HK$432.5 million). In the year ended 31 March 2018, the Group's net profits attributable to shareholders amounted to HK$623.5 million, versus HK$805.2 million in 2017. The main reasons for the drop in net profits was due to one time gains from sale of the Group's shares in Asia Financial Holdings Limited and sale of the Pemberton Building in 2017, versus no such disposals during the year to 31 March 2018.

Property Investments (Hong Kong and China)

As of 31 March 2018, the Group's investment property Pioneer Place (245,678 sq. ft.) in Kwun Tong, Hong Kong has an improved occupancy rate of 82%, compared to 74% in 2017. For the twelve months period ended 31 March 2018, Pioneer Place contributed rental and related revenues of HK$56.5 million and a fair value increase of HK$70.0 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 100% as at 31 March 2018. For the fiscal year ended 31 March 2018, the property contributed rental and related revenues of HK$127.3 million and a fair value increase of HK$195.4 million.

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 continued rising rental rates. For the fiscal year, the property contributed HK$54.3 million in rental and related revenues and HK$179.0 million in fair value increase to the Group.

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 in February 2017. During this first year of ownership, the Group had been repositioning the lower and upper ground floor tenancies of the property. As a result, the property currently has a lower occupancy of 66%. For the year, this property contributed HK$13.0 million in rental and related revenues and HK$18.6 million in fair value increase to the Group.

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 financial year, both properties performed well with occupancies of 96% and 83% respectively in March 2018.

Hotel Investments (Hong Kong and Thailand)

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

In June 2017, the Group acquired an additional 20% in InterContinental Hong Kong from our joint venture partner, 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 joint venture is currently working on plans to completely upgrade the hotel's guest rooms and facilities, with renovation works expected to commence in 2020. The InterContinental Hong Kong was originally opened as the Regent Hotel Hong Kong until it was acquired by InterContinental Hotel Group (IHG) in 2002. On March 14 this year, IHG announced that it has agreed to acquire a 51% interest in the Regent Hotels brand and plans to position "Regent" as the top brand in its global portfolio. As part of the deal, IHG and our joint venture that owns the InterContinental Hong Kong agreed to relaunch the hotel as the Regent Hotel Hong Kong upon the completion of the planned major renovation works. We are excited about this rebranding as it will return the hotel to its original heritage and benefit from the resources that IHG will put in the repositioning of the Regent brand. For the twelve months ended 31 March 2018, the hotel generated revenues of HK$1,110.1 million (2017: HK$1,074.5 million) and operating profit of HK$409.4 million (2017: HK$404.9 million). During the period, InterContinental Hong Kong enjoyed an average occupancy rate of 88%.

For the twelve months ended 31 March 2018, the Pullman Bangkok Hotel G (owned by the Group's 49.5% owned associated company) had revenues of Baht 571.6 million (HK$134.0 million equivalent) (2017: Baht 538.2 million, HK$119.5 million equivalent) and operating profit of Baht 222.9 million (HK$52.2 million equivalent) (2017: Baht 201.6 million, HK$44.8 million equivalent). Average occupancy during the year was 86%.

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 Baht 390.5 million (HK$91.5 million equivalent) (2017: Baht 366.6 million, HK$81.4 million equivalent) and operating profit of Baht 157.2 million (HK$36.8 million equivalent) (2017: Baht 141.6 million, HK$31.4 million equivalent), with an average occupancy rate of 80%.

PROSPECTS

On 9 May 2018, the Group sold its shares in Dusit Thani Public Company Limited (listed in Thailand) for a total consideration of Baht 434.6 million (equivalent to HK$106.5 million). This disposal generated a historical profit of HK$71.1 million to the Group and a 3.6x profit multiple from the original investment cost.

As discussed in past reports, it has been challenging to lease out the last 30% of space at Pioneer Place due to increased competition from new office supply in Kowloon East. In light of that, we are pleased to report that a lease was signed in June 2018 to lease out the last remaining 26,715 sq.ft. of vacant space in Pioneer Place, and the building will enjoy full occupancy when the newly signed tenant moves in around November 2018.

Currently, all of the Group's major investment properties (with the exception of Kiu Fat Building which is undergoing repositioning) and hotels are enjoying high occupancy as well as stable or growing income. In addition, the cash proceeds from the sale of Dusit Thani Public Company Limited shares also add to the healthy liquidity position of the Group. These factors, together with our low debt gearing ratio (total debts/total assets: 22.7%), put the Group in a strong position to take advantage of any opportunities that may arise.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to enjoy a strong and healthy financial position. At 31 March 2018, the Group's total debts to total assets ratio was 22.7% (31 March 2017: 24.7%) and net debt to total assets ratio was 20.8% (31 March 2017: 19.6%).

Pledge of Assets

At the year-end date, investment properties with a carrying value of HK$7,090 million (2017: HK$6,620 million) were pledged to secure bank loan facilities to the extent of approximately HK$2,279 million (2017: approximately HK$2,277 million) of which all facilities have been fully utilized.

Contingent Liabilities

As at 31 March 2018, 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 31 March 2018, the number of salaried staff at the holding company level was 17 (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.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK3.1 cents (2017: HK3.0 cents) per share for the year ended 31 March 2018. The proposed dividend is subject to the approval of shareholders at the forthcoming AGM and payable on 10 October 2018 to all persons registered as shareholders on 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Monday, 10 September 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 5 September 2018 to 10 September 2018, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, 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, 4 September 2018.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The record date for entitlement to the proposed final dividend is Friday, 21 September 2018. For determining the entitlement to the proposed final dividend for the year ended 31 March 2018, the register of members of the Company will be closed from 19 September 2018 to 21 September 2018, 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 Hong Kong Branch Registrar, 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, 18 September 2018.

CORPORATE GOVERNANCE

During the year ended 31 March 2018, 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 2017 AGM of the Company.

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 and external auditors the accounting principles and practices adopted by the Group, the risk management and internal control system, the internal audit function and the consolidated financial statements of the Group for the year ended 31 March 2018. The Committee is satisfied with the review and has no disagreement regarding the financial results for the year ended 31 March 2018. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have also been agreed with the Company's external auditors to the amounts set out in the Group's consolidated financial statements for the financial year.

By Order of the Board
Kenneth Gaw
Managing Director

Hong Kong, 21 June 2018

As at the date of this announcement, the executive directors of the Company are Mrs. Rossana Wang Gaw, Mr. Goodwin Gaw, Mr. Kenneth Gaw, Ms. Christina Gaw and Mr. Alan Kam Hung Lee 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.