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**Pioneer**

**PIONEER GLOBAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00224)**

**RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017**

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 2017, together with the comparative figures for the corresponding period in 2016 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

|                                      |              | <b>For the year ended</b> |                 |
|--------------------------------------|--------------|---------------------------|-----------------|
|                                      |              | <b>31 March</b>           |                 |
|                                      | <i>Notes</i> | <b>2017</b>               | 2016            |
|                                      |              | <b>HK\$'000</b>           | <b>HK\$'000</b> |
| Turnover                             |              |                           |                 |
| Company and subsidiaries             |              | <b>295,049</b>            | 258,712         |
| Share of associates                  |              | <b>206,876</b>            | 157,892         |
|                                      |              | <u><b>501,925</b></u>     | <u>416,604</u>  |
| Turnover of Company and subsidiaries | 4            | <b>295,049</b>            | 258,712         |
| Properties operating expenses        |              | <b>(44,403)</b>           | (45,294)        |
| Staff costs                          |              | <b>(18,117)</b>           | (17,209)        |
| Depreciation                         |              | <b>(341)</b>              | (365)           |
| Other expenses                       |              | <b>(4,721)</b>            | (4,881)         |
|                                      |              | <u><b>(67,582)</b></u>    | <u>(67,749)</u> |

|   |              | <b>For the year ended</b> |                 |
|---|--------------|---------------------------|-----------------|
|   |              | <b>31 March</b>           |                 |
|   |              | <b>2017</b>               | 2016            |
|   | <i>Notes</i> | <b>HK\$'000</b>           | <i>HK\$'000</i> |
| Operating profit                              | 3            | <b>227,467</b>            | 190,963         |
| Share of results of associates                |              | <b>31,220</b>             | 93,672          |
| Change in fair value of investment properties |              | <b>432,462</b>            | 208,035         |
| Other gains and losses                        | 5            | <b>285,742</b>            | (9,265)         |
| Finance costs                                 | 6            | <b>(44,971)</b>           | (44,013)        |
| Profit before taxation                        | 7            | <b>931,920</b>            | 439,392         |
| Taxation                                      |              |                           |                 |
| Current                                       | 8            | <b>(28,789)</b>           | (12,178)        |
| Deferred                                      | 8            | <b>4,110</b>              | (6,259)         |
| Profit for the year                           |              | <b>907,241</b>            | 420,955         |
| Profit attributable to:                       |              |                           |                 |
| Shareholders of the Company                   |              | <b>805,189</b>            | 365,553         |
| Non-controlling interests                     |              | <b>102,052</b>            | 55,402          |
|   |              | <b>907,241</b>            | 420,955         |
|   |              | <b>HK cents</b>           | <i>HK cents</i> |
| Earnings per share                            | 10           | <b>69.77</b>              | 31.68           |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  | <b>For the year ended</b> |                 |
|--|---------------------------|-----------------|
|  | <b>31 March</b>           |                 |
|  | <b>2017</b>               | 2016            |
|  | <b>HK\$'000</b>           | HK\$'000        |
| Profit for the year  | <u><b>907,241</b></u>     | <u>420,955</u>  |
| Other comprehensive income/(expense)                           |                           |                 |
| Items that will not be reclassified to profit or loss:         |                           |                 |
| Transfer from investment revaluation reserve                   | –                         | (174,497)       |
| to property revaluation reserve - associates                   | <u>–</u>                  | <u>174,497</u>  |
|  | –                         | –               |
| Items that may be reclassified subsequently to profit or loss: |                           |                 |
| Change in fair value of available for sale investments         |                           |                 |
| – subsidiaries   | <b>42,912</b>             | 3,008           |
| – associates   | <b>(43,098)</b>           | 19,685          |
| Exchange difference on translation of associates               | <b>23,000</b>             | (36,284)        |
| Release of exchange reserve upon disposal of associates        | <u><b>(4,262)</b></u>     | <u>–</u>        |
| Other comprehensive income/(expense) for the year, net of tax  | <u><b>18,552</b></u>      | <u>(13,591)</u> |
| Total comprehensive income for the year                        | <u><b>925,793</b></u>     | <u>407,364</u>  |
| Total comprehensive income attributable to:                    |                           |                 |
| Shareholders of the Company                                    | <b>830,702</b>            | 350,663         |
| Non-controlling interests                                      | <u><b>95,091</b></u>      | <u>56,701</u>   |
|  | <u><b>925,793</b></u>     | <u>407,364</u>  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <i>Notes</i> | At<br>31 March<br>2017<br><i>HK\$'000</i> | At<br>31 March<br>2016<br><i>HK\$'000</i> |
|---|--------------|---|---|
| <b>ASSETS</b>   |              |   |   |
| Non-current assets  |              |   |   |
| Investment properties   |              | 6,675,600                                 | 6,353,900                                 |
| Associates  |              | 1,069,978                                 | 1,178,575                                 |
| Available for sale investments  |              | 428,680                                   | 387,533                                   |
| Deposits paid for acquisition of<br>additional interest in an associate |              | 459,444                                   | -   |
| Property, plant & equipment   |              | 1,842                                     | 1,474                                     |
| Other assets  |              | 300                                       | 300                                       |
|   |              | <b>8,635,844</b>                          | <b>7,921,782</b>                          |
| Current assets  |              |   |   |
| Debtors, advances & prepayments   | 11           | 30,566                                    | 52,128                                    |
| Available for sale investments  |              | 85,060                                    | 80,529                                    |
| Financial assets at fair value  |              | 1,349                                     | 1,220                                     |
| Cash & bank balances  |              | 472,473                                   | 108,482                                   |
| Tax assets  |              | -   | 221                                       |
|   |              | <b>589,448</b>                            | <b>242,580</b>                            |
| <b>Total assets</b>   |              | <b>9,225,292</b>                          | <b>8,164,362</b>                          |
| <b>EQUITY</b>   |              |   |   |
| Share capital   |              | 115,404                                   | 115,404                                   |
| Reserves  |              | 5,795,804                                 | 5,013,572                                 |
| Shareholders' funds   |              | 5,911,208                                 | 5,128,976                                 |
| Non-controlling interests   |              | 900,425                                   | 830,787                                   |
| <b>Total equity</b>   |              | <b>6,811,633</b>                          | <b>5,959,763</b>                          |
| <b>LIABILITIES</b>  |              |   |   |
| Non-current liabilities   |              |   |   |
| Creditors & accruals  | 12           | 51,633                                    | 49,889                                    |
| Secured bank loans  |              | 1,413,769                                 | 2,011,729                                 |
| Deferred taxation   |              | 47,503                                    | 54,031                                    |
|   |              | <b>1,512,905</b>                          | <b>2,115,649</b>                          |
| Current liabilities   |              |   |   |
| Creditors & accruals  | 12           | 34,530                                    | 34,299                                    |
| Secured bank loans  |              | 863,500                                   | 54,651                                    |
| Obligation under finance lease  |              | 1,018                                     | -   |
| Tax liabilities   |              | 1,706                                     | -   |
|   |              | <b>900,754</b>                            | <b>88,950</b>                             |
| <b>Total liabilities</b>  |              | <b>2,413,659</b>                          | <b>2,204,599</b>                          |
| <b>Total equity and liabilities</b>                                     |              | <b>9,225,292</b>                          | <b>8,164,362</b>                          |

*Notes:*

**1. BASIS OF PREPARATION**

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

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) 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 2016, except for the changes as set out below.

**Amendments to HKFRSs that are mandatorily effective for the current year**

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 HKFRS 11                       | Accounting for Acquisitions of Interest in Joint Operations          |
| Amendments to HKAS 1                         | Disclosure Initiative  |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants   |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 Cycle                        |

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 the consolidated financial statements.

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

|                                    |  |
|------------------------------------|--|
| HKFRS 9                            | Financial Instruments <sup>1</sup>   |
| HKFRS 15                           | Revenue from Contracts with Customers and the related Amendments <sup>1</sup>                      |
| HKFRS 16                           | Leases <sup>2</sup>  |
| HK(IFRIC) – Int 22                 | Foreign Currency Transactions and Advances Consideration <sup>1</sup>                              |
| Amendments to HKFRS 2              | Classification and Measurement of Share-based Payment Transaction <sup>1</sup>                     |
| Amendments to HKFRS 4              | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>               |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup> |
| Amendments to HKAS 7               | Disclosure Initiative <sup>3</sup>   |
| Amendments to HKAS 12              | Recognition of Deferred Tax Assets for Unrealised Losses <sup>3</sup>                              |
| Amendments to HKAS 40              | Transfers of Investment Property <sup>1</sup>  |
| Amendments to HKFRSs               | Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Company.

### 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 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 2017 (31 March 2016)

|   | Property and hotels |          | Investments and others |          | Consolidated    |          |
|---|---------------------|----------|------------------------|----------|-----------------|----------|
|   | 2017                | 2016     | 2017                   | 2016     | 2017            | 2016     |
|   | HK\$'000            | HK\$'000 | HK\$'000               | HK\$'000 | HK\$'000        | HK\$'000 |
| <b>Segment turnover</b>                       |                     |          |                        |          |                 |          |
| Company and subsidiaries                      | <b>264,896</b>      | 243,928  | <b>30,153</b>          | 14,784   | <b>295,049</b>  | 258,712  |
| <b>Segment result</b>                         | <b>198,546</b>      | 177,391  | <b>29,192</b>          | 13,772   | <b>227,738</b>  | 191,163  |
| Unallocated corporate expenses                |                     |          |                        |          | (271)           | (200)    |
| Operating profit                              |                     |          |                        |          | <b>227,467</b>  | 190,963  |
| Share of results of associates                | <b>31,220</b>       | 93,672   | -                      | -        | <b>31,220</b>   | 93,672   |
| Change in fair value of investment properties | <b>432,462</b>      | 208,035  | -                      | -        | <b>432,462</b>  | 208,035  |
| Other gains and losses                        | <b>209,031</b>      | (7,198)  | <b>76,711</b>          | (2,067)  | <b>285,742</b>  | (9,265)  |
| Finance costs                                 |                     |          |                        |          | <b>(44,971)</b> | (44,013) |
| Profit before taxation                        |                     |          |                        |          | <b>931,920</b>  | 439,392  |

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, 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 2017 (31 March 2016)

|                                   | Property and hotels |             | Investments and others |          | Consolidated       |             |
|-----------------------------------|---------------------|-------------|------------------------|----------|--------------------|-------------|
|                                   | 2017                | 2016        | 2017                   | 2016     | 2017               | 2016        |
|                                   | HK\$'000            | HK\$'000    | HK\$'000               | HK\$'000 | HK\$'000           | HK\$'000    |
| Segment assets                    | <b>7,379,846</b>    | 6,611,257   | <b>775,468</b>         | 374,530  | <b>8,155,314</b>   | 6,985,787   |
| Investment in associates          | <b>1,069,978</b>    | 1,178,575   | -                      | -        | <b>1,069,978</b>   | 1,178,575   |
| Consolidated total assets         |                     |             |                        |          | <b>9,225,292</b>   | 8,164,362   |
| Segment liabilities               | <b>(2,412,851)</b>  | (2,203,221) | <b>(40)</b>            | (651)    | <b>(2,412,891)</b> | (2,203,872) |
| Unallocated corporate liabilities |                     |             |                        |          | <b>(768)</b>       | (727)       |
| Consolidated total liabilities    |                     |             |                        |          | <b>(2,413,659)</b> | (2,204,599) |

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 2017 (31 March 2016)*

|           | Segment revenue  |                  |
|-----------|------------------|------------------|
|           | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Hong Kong | 272,736          | 252,129          |
| Overseas  | 22,313           | 6,583            |
|           | <u>295,049</u>   | <u>258,712</u>   |

*As at 31 March 2017 (31 March 2016)*

|           | Segment assets   |                  |
|-----------|------------------|------------------|
|           | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| Hong Kong | 7,401,660        | 6,722,819        |
| Overseas  | 753,654          | 262,968          |
|           | <u>8,155,314</u> | <u>6,985,787</u> |

No single customer contributed more than 10% of the Group's revenue for each of the year ended 31 March 2017 and 2016.

## 4. TURNOVER

|                            | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|----------------------------|------------------|------------------|
| Rental income              | 220,542          | 206,916          |
| Property expenses recovery | 44,354           | 37,012           |
| Dividend income            | 25,695           | 11,309           |
| Interest income            | 4,355            | 3,463            |
| Others                     | 103              | 12               |
|                            | <u>295,049</u>   | <u>258,712</u>   |

## 5. OTHER GAINS AND LOSSES

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Net gain on disposal of available for sale investments                  | 76,795           | 1,336            |
| Increase/(decrease) in fair value of financial assets                   | 128              | (393)            |
| Impairment loss recognised in respect of available for sale investments | –                | (17,477)         |
| Written off of other receivables  | (3,929)          | –                |
| Gain on disposal of subsidiaries  | 212,960          | –                |
| Gain on disposal of an associate  | 2,201            | –                |
| Recovery of impairment loss on an associate                             | –                | 10,279           |
| Other losses  | (2,413)          | (3,010)          |
|   | <u>285,742</u>   | <u>(9,265)</u>   |

## 6. FINANCE COSTS

|                           | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---------------------------|-------------------------|-------------------------|
| Interest on bank loans    | 44,938                  | 44,013                  |
| Interest on finance lease | 33                      | –                       |
|                           | <u>44,971</u>           | <u>44,013</u>           |

## 7. PROFIT BEFORE TAXATION

|  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Profit before taxation has been arrived at after charging:</b>      |                         |                         |
| Staff costs (including directors' remuneration)                        |                         |                         |
| Salaries, wages and other benefits                                     | 17,895                  | 17,049                  |
| Pension scheme contributions   | 222                     | 211                     |
| Auditors' remuneration (including remuneration for non-audit services) | 792                     | 542                     |
| Depreciation   | 341                     | 365                     |
| Net exchange (gain)/loss   | (2,012)                 | 3,009                   |
| <b>and after crediting:</b>  |                         |                         |
| Rental income from investment properties                               | 220,542                 | 206,916                 |
| Add: other income/less: (direct outgoings)                             | 3,264                   | (4,066)                 |
| Listed investment income   | 7,567                   | 6,958                   |
| Unlisted investment income   | 18,128                  | 4,351                   |
| Interest income  | 4,355                   | 3,463                   |

## 8. TAXATION

|                                       | 2017                                   |   |                          | 2016                                   |   |                          |
|---------------------------------------|--|---|--------------------------|--|---|--------------------------|
|                                       | Current<br>taxation<br><i>HK\$'000</i> | Deferred<br>taxation<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | Current<br>taxation<br><i>HK\$'000</i> | Deferred<br>taxation<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Provision for the year                |  |   |                          |  |   |                          |
| Hong Kong                             | 17,745                                 | 7,307                                   | 25,052                   | 12,178                                 | 5,809                                   | 17,987                   |
| Overseas                              | –                                      | (75)                                    | (75)                     | –                                      | 450                                     | 450                      |
| Under/(over)-provision in prior years | 11,044                                 | (11,342)                                | (298)                    | –                                      | –                                       | –                        |
|                                       | <u>28,789</u>                          | <u>(4,110)</u>                          | <u>24,679</u>            | <u>12,178</u>                          | <u>6,259</u>                            | <u>18,437</u>            |

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 year. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.



## 9. DIVIDEND

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interim dividend of HK1.4 cents<br>(2016: HK1.4 cents) per ordinary share             | 16,157                  | 16,157                  |
| Proposed final cash dividend of HK3.0 cents<br>(2016: HK2.8 cents) per ordinary share | <u>34,621</u>           | <u>32,313</u>           |
|   | <u><b>50,778</b></u>    | <u><b>48,470</b></u>    |

The dividends which have been paid during the year by cash are as follows:

|   |                      |                      |
|---|----------------------|----------------------|
| Interim for the year ended 31 March 2017 (2016) | 16,157               | 16,157               |
| Final for the year ended 31 March 2016 (2015)   | <u>32,313</u>        | <u>32,313</u>        |
|   | <u><b>48,470</b></u> | <u><b>48,470</b></u> |

The 2017 final cash dividend of HK3.0 cents (2016: HK2.8 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 HK\$805,189,000 (2016: HK\$365,553,000) and on 1,154,038,656 shares (2016: 1,154,038,656 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2017 and 31 March 2016 as the Company had no dilutive potential ordinary shares during both years.

## 11. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayment comprised the following:

|                                | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Deferred rental receivables    | 19,823                  | 22,467                  |
| Dividend receivable            | –                       | 15,983                  |
| Other deposits and prepayments | 8,682                   | 7,624                   |
| Trade and rental debtors       | <u>2,061</u>            | <u>6,054</u>            |
|                                | <u><b>30,566</b></u>    | <u><b>52,128</b></u>    |

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:

|              | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0 – 30 days  | 1,965                   | 5,390                   |
| 31 – 60 days | 58                      | 464                     |
| 61 – 90 days | 7                       | 199                     |
| >90 days     | <u>31</u>               | <u>1</u>                |
|              | <u><b>2,061</b></u>     | <u><b>6,054</b></u>     |

## 12. CREDITORS & ACCRUALS

|   | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Creditors and accruals (due within one year)    |                                |                         |
| Rental deposit received                         | <b>16,350</b>                  | 22,349                  |
| Accruals  | <b>14,862</b>                  | 6,914                   |
| Trade payable                                   | <b>3,318</b>                   | 5,036                   |
|   | <b>34,530</b>                  | 34,299                  |
| Creditors and accruals (due more than one year) |                                |                         |
| Rental deposit received                         | <b>51,633</b>                  | 49,889                  |
|   | <b>86,163</b>                  | 84,188                  |

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

|              | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days  | <b>2,593</b>                   | 3,443                   |
| 31 – 60 days | <b>307</b>                     | 234                     |
| 61 – 90 days | <b>198</b>                     | 241                     |
| >90 days     | <b>220</b>                     | 1,118                   |
|              | <b>3,318</b>                   | 5,036                   |

## 13. EVENT AFTER THE REPORTING DATE

On 28 March 2017, Uniever Link Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire an additional 20% equity interest of an associate of the Group. The associate is a hotel investment company which through its subsidiaries owns InterContinental Hong Kong, a 5 star-hotel in Hong Kong. Details of the acquisition were set out in the Company's announcement dated 29 March 2017 and circular dated 16 May 2017.

## **BUSINESS REVIEW**

During the past year, global stock markets shrugged off the double surprise of Brexit in the UK and the election of President Trump in the US to reach new heights. While the US Fed started to raise interest rate in December 2016, markets continued to be buoyant on the back of tax reform promises by the Trump Administration and the flood of liquidity from other global central banks.

In China, the real estate sector boomed as a result of the relaxation of home purchase restrictions and monetary stimulus policies implemented in 2016. However, the huge boom in the sector brought back fears of a real estate bubble and the government began to re-introduce many of the market cooling measures taken off the year before in order to bring prices under control. By Q2 2017, these restrictions have already shown their effects as prices in tier-one cities stabilized and transaction volume dropped significantly. Until China develops more diverse investment products, its real estate sector will continue to go through these sharp boom/bust cycles driven by government policies. On the other hand, the economy has continued its healthy transition from the traditional export led growth model to one led by domestic consumption and services. In particular, the technology sector driven by a group of world class companies and entrepreneurs emerged as the star performer. This development is very encouraging as it points the way to a very bright future for China as the country moves to higher value-add activities that will propel the economy forward.

In Hong Kong, the residential real estate market reached new record highs despite the implementation of additional rounds of stamp duty increases and mortgage restrictions designed by the government to dampen prices. Commercial office rents and capital values also hit record high prices on the back of low interest rate, high liquidity, and demand from Mainland Chinese corporations. Retail sales and visitor arrivals also increased in Q1 2017. It is indeed 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 from the US Fed paring back its balance sheet. Against this backdrop, the Group decided to dispose some of our assets in Hong Kong and southern China during the year.

Thailand's tourism market generally performed well as the number of foreign tourists visiting Thailand reached a record high in 2016. However, the industry did face some headwinds in the second half. First, the Thai government began to crack down on "zero dollar" cheap Chinese tours, leading to substantial number of cancellations by Chinese tour groups. Second, the death of the revered HM King Bhumibol in October 2016 plunged the country into deep mourning, significantly affecting domestic tourism, food & beverage, and event businesses. It is not until recent months that event business started to pick up again.

For the financial year ended 31 March 2017, the Group achieved total turnover (including share of associates) of HK\$501.9 million, increasing by 20.5% from HK\$416.6 million in 2016. The rise in turnover is due to the healthy increase in rental income from our investment properties and higher contribution from our hotels in Hong Kong and Thailand, as well as a higher dividend payment from our investment in Hillcrest Gardens in Malaysia. Operating profits during the year amounted to HK\$227.5 million, representing an increase of 19.1% from a year ago (2016: HK\$191.0 million).

In addition to the increase in income from investment properties and hotels, the Group also made several significant disposals during the year, including the sale of our shares in Asia Financial Holdings Ltd. for HK\$156.0 million (gain of HK\$79.8 million) and the sale of our Pemberton Building in Sheung Wan for HK\$1.0 billion. The sale of the Pemberton Building brought a gain of HK\$210.9 million for the financial year. And including fair value gains already booked in previous financial years, the Group made a total profit of HK\$477.0 million from its investment in the Pemberton Building since the acquisition in 2011. During the financial year, the Group's investment properties also contributed fair value gains of HK\$432.5 million (2016: HK\$208.0 million). As a result of all these positive factors, net profits attributable to shareholders more than doubled to HK\$805.2 million (2016: HK\$365.6 million).

### **Property Investments (Hong Kong and China)**

As at 31 March 2017, the Group's investment property Pioneer Place (245,678 sq. ft.) in Kwun Tong, Hong Kong had an occupancy rate of 74%. Despite the initial success of leasing out the first 65% of the building upon the completion of the building's revitalization works, increased competition in East Kowloon area made it more challenging than expected for the leasing of the remaining vacancy (now mainly consisting of two podium floors 1-2/F). In October 2016, a lease was signed for 10/F of the building, bringing occupancy rate up to 74%. For the year ended 31 March 2017, Pioneer Place contributed rental and related revenues of HK\$51.3 million and a fair value increase of HK\$93.3 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 92% at the close of the financial period. For the year ended 31 March 2017, the property contributed rental and related revenues of HK\$128.6 million and a fair value increase of HK\$172.2 million to the Group.

The Club Lusitano Building (80,100 sq. ft.) in Central, Hong Kong has also continued to perform well, enjoying an occupancy rate of 88% and strong rental rates. For the financial year, the property contributed HK\$52.0 million in rental and related revenues and HK\$127.6 million in fair value increase to the Group.

As reported earlier, the Pemberton Building (70,616 sq. ft.) in Sheung Wan, Hong Kong was sold in March 2017 for HK\$1.0 billion, bringing in a financial gain of HK\$210.9 million for the period and total gain of HK\$477.0 million during the holding period. Before the sale, the Pemberton Building had an occupancy rate of 100% and contributed HK\$30.9 million in rental and related revenues during the year.

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 at the property value of HK\$648.0 million. With the extension of the MTR line to the western districts of Hong Kong Island, old neighborhoods in these areas have continued to improve; hence the Group is very optimistic about the long term prospects of Sai Ying Pun. The Group intends to hold the property as a long term investment and will carry out refurbishments to improve the tenant mix.

During the financial year ended 31 March 2017, the Shanghai K. Wah Centre (a GFA 750,000 sq. ft. commercial tower in Shanghai held 15.4% through the Group's 50% owned associated company) contributed an associate profit of HK\$2.6 million to the Group.

The Group, together with an investment consortium managed by Gaw Capital Partners, owns a 98.68% stake in Ciro's Plaza, an 84,968 sq.m. commercial building located at 388 Nanjing West Road in Shanghai, China. The Group's effective equity stake in the consortium is 4%. As at 31 March 2017, Ciro's Plaza had an occupancy rate of 92%. The consortium plans to renovate the podium facade and certain key common areas and hold the property as a long term investment.

In June 2016, the Group sold its 50% stake in Jie Fang Building in Guangzhou's Yuexiu District for a net consideration of HK\$68.8 million. This sale realized an investment return multiple of about 4 times.

### **Hotel Investments (Hong Kong, Thailand and Myanmar)**

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

The Group owns a 10% interest in the 503 rooms InterContinental Hong Kong, one of the leading 5 star hotels in the territory and world renowned for its commanding harbor view and Michelin star restaurants. For the year ended 31 March 2017, this hotel generated revenues of HK\$1,074.5 million and operating profits of HK\$404.9 million. And despite a downturn in tourism in Hong Kong, InterContinental Hong Kong continued to maintain an average occupancy of 85% during this period.

In the 12 months ended 31 March 2017, the Pullman Bangkok Hotel G (owned by the Group's 49.5% owned associated company) had revenues of Baht 538.2 million (HK\$119.5 million equivalent) (2016: Baht 519.1 million, HK\$112.5 million equivalent) and operating profits of Baht 201.6 million (HK\$44.8 million equivalent) (2016: Baht 191.4 million, HK\$41.5 million equivalent). 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 366.6 million (HK\$81.4 million equivalent) (2016: Baht 333.2 million, HK\$72.2 million equivalent) and operating profits of Baht 141.6 million (HK\$31.4 million equivalent) (2016: Baht 118.5 million, HK\$25.7 million equivalent). During the year, the Pullman Bangkok Hotel G had occupancy rate of 81% while the Pullman Pattaya Hotel G had occupancy rate of 79%.

The Group's unlisted associated company (43.24% owned by the Group), Strand Hotels International Limited, is in a 50/50 joint venture with the government of Myanmar to own and operate three hotels in Yangon – the Strand Hotel, the Inya Lake Hotel, and the Thamada Hotel. The renovation of the Strand Hotel was completed and the hotel has been reopened since early November 2016. The Thamada Hotel renovation is progressing as planned and the hotel is planned to reopen in Q3 2017 as Hotel G Yangon. During the financial year, the three hotels had revenues of US\$9.1 million (2016: US\$11.3 million) and operating profits of US\$3.2 million (2016: US\$5.5 million). The "Strand Cruise", owned by a subsidiary of Strand Hotels International Limited, is a luxury river cruise ship with 27 cabins operating in the Ayeyarwady River in Myanmar. The cruise ship was launched in December 2015 and has been marketed with packages in conjunction with the Strand Hotel in Yangon under the same brand name. 2016/2017 financial year is the first full year of operation for the Strand Cruise and incurred a loss of US\$1.3 million. Despite a smooth election in 2016 and peaceful handover of power from the military backed government to the civilian government led by Aung San Su Kyi's NLD Party, the tourist and business travel arrival numbers in Myanmar have been below expectations. This has been a surprise as most industry players have expected a significant increase in number of visitors after the elections. At the same time, the opening of new hotels and other river cruise operations in anticipation of increased arrivals have made it a challenging operating environment.

## **PROSPECTS**

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 Group believes the hotel is a unique and attractive asset and plans to hold it on a long term basis. The joint venture that holds the hotel will continue to be managed by Gaw Capital Partners and is currently working on plans to upgrade the hotel's guest rooms and facilities, with renovation works expected to commence in 2019.

As the Group successfully disposed several assets during the year, we enjoy a strong balance sheet, with the capability to make additional investments (even after the acquisition of the Sai Ying Pun asset and the additional 20% in InterContinental Hong Kong). As such, we will continue to look out for new investment opportunities including redevelopment.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group continued to enjoy a strong and healthy financial position. At 31 March 2017, the Group's total debts to total assets ratio was 24.7% (31 March 2016: 25.3%) and net debt to total assets ratio was 19.6% (31 March 2016: 24.0%).

### **Pledge of Assets**

At the year-end date, investment properties with a carrying value of approximately HK\$6,620 million (2016: HK\$6,300 million and available for sale investments with a carrying value of approximately HK\$13 million) were pledged to secure bank loan facilities to the extent of HK\$2,277 million (2016: HK\$2,122 million), among which HK\$2,277 million (2016: HK\$2,066 million) has been utilized.

### **Contingent Liabilities**

As at 31 March 2017, the Group had guarantees HK\$1,878.2 million (31 March 2016: HK\$1,057.0 million) given to bank in respect of banking facilities utilized by subsidiaries.

In March 2017, the Group has entered into a sale and purchase agreement to acquire an additional 20% equity interest of an associate of the Group. Details of the transaction are discussed on the event after the reporting date in note 13. The Group has a capital commitment of US\$59.2 million (equivalent to approximately HK\$459.4 million) on completion payment. The completion payment was settled on 2 June 2017.

## **EMPLOYEES**

As at 31 March 2017, the number of salaried staff at the holding company level was 18 (2016: 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 HK3.0 cents (2016: HK2.8 cents) per share for the year ended 31 March 2017. The proposed dividend is subject to the approval of shareholders at the forthcoming AGM and payable on 10 October 2017 to all persons registered as shareholders on 21 September 2017.

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The AGM of the Company is scheduled to be held on Tuesday, 5 September 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 31 August 2017 to 5 September 2017, 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 Wednesday, 30 August 2017.

## **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND**

The record date for entitlement to the proposed final dividend is Thursday, 21 September 2017. For determining the entitlement to the proposed final dividend for the year ended 31 March 2017, the register of members of the Company will be closed from 19 September 2017 to 21 September 2017, 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 Monday, 18 September 2017.

## **CORPORATE GOVERNANCE**

During the year ended 31 March 2017, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **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 systems, the internal audit function and the consolidated financial statements of the Group for the year ended 31 March 2017. The Committee is satisfied with the review and has no disagreement regarding the financial results for the year ended 31 March 2017. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 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, 26 June 2017

*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.*