



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

Stock Code 股份代號 : 00224





PIONEER GLOBAL GROUP LIMITED

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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

REMUNERATION COMMITTEE

Arnold Tin Chee IP, *Chairman*
Dr. Charles Wai Bun CHEUNG, JP
Stephen TAN

NOMINATION COMMITTEE

Rossana WANG GAW, *Chairman*
Kenneth GAW
Dr. Charles Wai Bun CHEUNG, JP
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

AUDITOR

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

Managing Director's Report

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.

Managing Director's Report

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%.



InterContinental Hong Kong

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.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shown in notes 35 and 36 to the financial statements. An analysis of the Group's turnover and contribution to results by principal activity of operations is set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss on page 36.

An interim dividend of HK1.5 cents per share, totaling HK\$17,311,000 which was paid on 23 January 2018.

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, payable on 10 October 2018 to all persons registered as shareholders on 21 September 2018. The transfer of books and 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. Payment of the final dividend is conditional upon the passing of an ordinary resolution at the forthcoming annual general meeting.

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.

SHARE CAPITAL

There was no movement in the share capital of the Company during the financial year.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after payment be, unable to pay its liabilities as they become due; or
- (b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

The reserves of the Company available for distribution to shareholders as at 31 March 2018, including contributed surplus and retained earnings amounted to HK\$930,552,000 (2017: HK\$919,823,000).

Details of movements in reserves are set out in note 33 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 100.

PROPERTY, PLANT & EQUIPMENT

Details of movements in property, plant & equipment are set out in note 15 to the financial statements.

MAJOR SUBSIDIARIES

Details of the major subsidiaries as at 31 March 2018 are set out in note 35 to the financial statements.

LOANS AND BORROWINGS

Details of loans and borrowings are set out in note 21 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the Group's five largest customers accounted for less than 30% of the Group's total turnover and the Group's five largest suppliers accounted for less than 30% of the Group's expenditure on goods and services.

DIRECTORS

The Directors in office during the financial year and up to the date of this report were:

Executive Directors

Rossana WANG GAW
Goodwin GAW
Kenneth GAW
Christina GAW
Alan Kam Hung LEE

Independent Non-executive Directors

Dr. Charles Wai Bun CHEUNG, JP
Arnold Tin Chee IP
Stephen TAN

In accordance with the Bye-Laws 82 & 83, Ms. Christina Gaw, Mr. Alan Kam Hung Lee and Mr. Arnold Tin Chee Ip will retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2018, 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.

Directors' Report

Long Position in Shares of the Company

Name of director	Number of ordinary shares			Total	%
	Personal Interests	Interests held by controlled corporation	Interests held by family trust		
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

¹ Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 25,174,731 shares.

² Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 215,768,260 shares.

³ Mr. Kenneth Gaw owns the entire issued share capital of Top Elite Company Limited, which was beneficially interested in 12,725,857 shares.

⁴ Family trust of which Mr. Kenneth Gaw is the sole beneficiary held an aggregate of 41,305,864 shares.

⁵ Ms. Christina Gaw owns the entire issued share capital of Eternity Rich Investments Limited, which was beneficially interested in 19,699,216 shares.

⁶ 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 31 March 2018, 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 the 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 31 March 2018, 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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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".

Directors' Report

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 31 March 2018, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

BUSINESS REVIEW

A fair review of the business of the Group, including description of the possible risks and uncertainties that the Group may be facing, the important events of the Group and its future prospect of the Group is set out in the "Managing Director's Report" of the annual report.

An analysis of the Group's performance for the reporting year using financial key performance indicator and the financial risk management are set out on page 100 and in note 32 to the financial statements respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group adheres to environmental sustainability from office throughout the property portfolio. As a responsible corporation, we strive to ensure minimal environmental impacts by carefully managing our energy consumption, water usage, property design and waste production.

At office level, the Company participated in the Green Office Awards Labelling Scheme organized by World Green Organization to implement green initiatives and encourage staff to join environmental related training. At properties level, we advocated e-bill and e-receipt to our tenants and actively launched various energy savings and recycling programmes.

More details of the environmental policies and performance of the Company will be published in the environmental, social and governance report within 3 months after the publication of this annual report.

COMPLIANCE TO LAWS AND REGULATIONS

The Board paid attention to the Group's policies and practices on compliance with legal and regulatory requirements. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable laws framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**(a) Employees**

The Company recognizes the value of employee involvement in effective communications and the need for their contribution to decision making on matters affecting their jobs. The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of the Company and the areas in which it operates. This includes suitable procedures to support the Company's policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

(b) Customers

Tenants are the Group's main customers. We endeavor to maintain a close and lasting relationship with them and pursue their satisfaction. The tenants can contact our asset management team directly via telephone and emails as and when needed. We also pay attention to the tenant's dissatisfaction and put the best effort to respond instantly to the problem and complaint submitted by the tenants.

(c) Suppliers

The Group seeks to develop long-standing and maintains good relationship with our key suppliers. We select our suppliers prudently and assess them based on criteria such as track record, experience, reputation and history of meeting our standards. We also discussed with the suppliers on areas of improvement so as to increase efficiency and foster long-term business benefits.

EMOLUMENT POLICY

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. The emoluments of the directors of the Company are determined with reference to his/her position, duties and responsibilities, remuneration policy of the Company and the prevailing market conditions. All the employees in Hong Kong are entitled a defined contribution mandatory provident fund retirement benefits scheme under the Mandatory Provident Fund Scheme Ordinance operated by the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

As at 31 March 2018, there were no outstanding options to subscribe for the shares of the Company. There were no other arrangements to which the Company or any of its subsidiaries was a party to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director, including those proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Connected Transaction" and in note 30 to the financial statements, no Director or an entity connected with a Director, or controlling shareholder has a material beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries is a party during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the financial year.

PERMITTED INDEMNITY PROVISION

The Company's Bye-laws provides that all directors or other officers of the Company shall be entitled to be indemnified out of the Company's fund against all losses or liabilities which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance throughout the financial year, which provides appropriate cover for certain legal actions brought against its directors and officers.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company was incorporated.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 20 to 30.

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

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

COMPETING INTERESTS

None of the Directors had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CONNECTED TRANSACTION

Continuing Connected Transaction

On 29 January 2016, Treasure Spot Investments Limited ("Treasure Spot"), a non-wholly owned subsidiary of the Company, as the landlord, entered into the lease agreement with Gaw Capital Advisors Limited ("GCAL"), as the tenant, pursuant to which Treasure Spot agreed to lease the partial of 18th and 19th floors, 68 Yee Wo Street, Causeway Bay, Hong Kong to GCAL as office premises for a term of 3 years commencing from 1 July 2016 to 30 June 2019 at HK\$752,584 per calendar month. The Company can generate rental income from the lease.

GCAL is owned and controlled by Mr. Goodwin Gaw, Mr. Kenneth Gaw and Ms. Christina Gaw, who are executive Directors of the Company, and is therefore a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Independent Non-executive Directors have reviewed the above continuing connected transaction and confirmed that the transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the Auditor has issued their unqualified independent letter on 21 June 2018 containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 30 to the financial statements. None of these related party transactions constitutes a connected transaction, except for those described under “Connected Transaction”, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

AUDITORS

CHENG & CHENG LIMITED was first appointed auditor of the Company in November 2016 to fill the casual vacancy left by the resignation of Wong Brothers & Co.. The financial statements for the year ended 31 March 2018 have been audited by CHENG & CHENG LIMITED who will retire and being eligible offer themselves for re-appointment. A resolution for the re-appointment of CHENG & CHENG LIMITED as auditor of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Rossana Wang Gaw

Chairman

Hong Kong, 21 June 2018

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mrs. Rossana WANG GAW (Chairman)

Aged 72, was appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is responsible for the management of the real estate sector in the Group. Mrs. Gaw has 8 years of experience in the garment manufacturing industry and over 35 years of experience in real estate investments and hotels business. Mrs. Gaw is a graduate of the University of California, Berkeley, and holds a Degree in Business Administration. She is the mother of Mr. Goodwin Gaw, Mr. Kenneth Gaw and Ms. Christina Gaw.

Mr. Goodwin GAW (Vice Chairman)

Aged 49, was appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. He is the Chairman of Gaw Capital Partners, a global real estate private equity firm. He is also the President of Downtown Properties Holdings, a private real estate investment company with commercial properties interest in the United States. Mr. Gaw graduated with a Bachelor of Science Degree in Civil Engineering from the University of Pennsylvania, a Finance Degree from Wharton Business School and a Master of Science Degree in Construction Management from Stanford University. He is the son of Mrs. Rossana Wang Gaw, and the brother of Mr. Kenneth Gaw and Ms. Christina Gaw.

Mr. Kenneth GAW (Managing Director)

Aged 47, was appointed to the Board in 1994 and became Managing Director of the Group in February 1999. He holds directorship at Hong Kong-Thailand Business Council. He was previously a director of Dusit Thani Public Company Limited until 2018, a director of Home Inns Hotels and Management Inc until 2016, a director of Siam Food Products Public Company Limited until 2006 and a director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until 2000. Mr. Gaw co-founded Gaw Capital Partners, a global real estate private equity firm, in July 2005 and serves as its President and Managing Principal. He graduated with a Bachelor of Science Degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude). Before joining the Group, Mr. Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance with Goldman Sachs (Asia) LLC in Hong Kong. He is the son of Mrs. Rossana Wang Gaw, and the brother of Mr. Goodwin Gaw and Ms. Christina Gaw.

Ms. Christina GAW

Aged 45, was appointed to the Board in 2014. She is a Partner and Managing Principal of Gaw Capital Partners, a global real estate private equity firm. Before joining the Group, Ms. Gaw worked at Goldman Sachs (Asia) LLC for almost 9 years and UBS for 6 years as Managing Director with responsibilities as Head of Asian Regional Sales and latest capacity as Head of APAC Capital Introduction team within Prime Brokerage. Outside of her professional career capacity, Ms. Gaw is a Corporate Member of The Cheltenham Ladies' College Council and serves as Executive Committee Member of the St. Paul's Coeducation College Alumni Association and School Supervisor of The TWGH's S.C. Gaw Memorial College in Hong Kong. She is also actively engaged in community work in Hong Kong and is a Board Member of The Women's Foundation as well as an Executive Board Member and Treasurer of The Hong Kong Ballet. Ms. Gaw received her Bachelor of Science in Business Administration from the University of San Francisco. Ms. Gaw is the daughter of Mrs. Rossana Wang Gaw, and the sister of Mr. Goodwin Gaw and Mr. Kenneth Gaw.

Biographical Details of Directors

Mr. Alan Kam Hung LEE

Aged 62, was appointed to the Board in 2013 and has been the Chief Financial Officer of the Group since 2000. He is also the Chief Operating Officer of Gaw Capital Partners, a global real estate private equity firm. Mr. Lee graduated with a Bachelor of Science Degree in Civil Engineering from Imperial College London, a Master of Science Degree in Engineering from the University of Hong Kong and a Master of Business Administration Degree from the University of Toronto. He is a Chartered Professional Accountant (Canada) and a fellow member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Charles Wai Bun CHEUNG, JP

Aged 81, was appointed to the Board in 1986. He is the Chairman of the Audit Committee of the Company. Dr. Cheung holds an Honorary Doctor's Degree, a Master's Degree in Business Administration and a Bachelor of Science Degree. He has over 40 years of experience in the senior management of companies in various industries including over 22 years of experience of banking business in senior management positions. Dr. Cheung is director and Vice Chairman of the Executive Committee of Metropolitan Bank (China) Ltd. PRC. He was formerly a director and director of Audit Committee of China Resources Bank of Zhuhai Co. Ltd. and also an independent non-executive director and Chairman of Audit Committee of Shanghai Electric Group Company Limited. He was formerly executive director and Chairman of Roma Group Limited. He was also formerly an independent non-executive director and Chairman, subsequently co-Chairman of Grand T G Gold Holdings Limited. He is an independent non-executive director and Chairman of Remuneration Committee of Universal Technologies Holdings Ltd., an independent non-executive director and Chairman of Audit Committee of China Financial International Investments Limited (formerly named Sunshine Capital Investments Group Limited), an independent non-executive director and Chairman of Audit Committee of Modern Dental Group Limited and independent non-executive director and Chairman of Remuneration Committee of Jiayuan International Group Limited, non-executive director of Galaxy Entertainment Group Limited and an independent non-executive director of Fullsun International Holdings Group Co., Limited and China Taifeng Beddings Holdings Limited which are listed on the main board of the Stock Exchange. Dr Cheung is an independent non-executive director and Chairman of Nomination Committee of Yin He Holdings Limited (formerly Zebra Strategic Holdings Limited) which is listed on GEM board of the Stock Exchange. He was formerly an Executive Deputy Chairman and Group Chief Executive of Mission Hills Group and Visiting Professor of School of Business of Nanjing University, China. He is Special Adviser to the President of University of Victoria B.C. Canada. He is a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital. Dr. Cheung is also a member of the Regional Advisory Committee of Kowloon of Hong Kong Hospital Authority. He is a council member of The Hong Kong Institute of Directors. Dr. Cheung was a former director and adviser of Tung Wah Group of Hospitals. He was awarded the Directors of the year Awards 2002 of Listed Company Non-executive Director. Dr. Cheung was elected Outstanding Director Award by the Chartered Association of Directors, Outstanding Management Award by Chartered Management Association and Outstanding CEO Award by the Asia Pacific CEO Association in December 2010.

Mr. Arnold Tin Chee IP

Aged 55, was appointed to the Board in 1999. He is the Chairman of the Remuneration Committee of the Company. Mr. Ip obtained a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge in the United Kingdom. Mr. Ip is chairman of Altus Holdings Limited, a company listed on the GEM board of the Stock Exchange, which focuses on providing corporate finance services to listed and unlisted companies in Hong Kong, and property investment. He is an independent non-executive director of Sam Woo Construction Group Limited and Pak Fah Yeow International Limited, both of which are listed on the main board of the Stock Exchange; and an independent non-executive director of Icicle Group Holdings Limited, a company listed on the GEM board of the Stock Exchange. He was the chairman of Japan Residential Assets Manager Limited, manager of Saizen REIT which was listed in Singapore until it subsequently delisted in 2017. Between 1989 and March 1997, Mr. Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Limited thereafter until January 2001, specializing in a range of corporate finance and advisory activities for companies based in Hong Kong and China. From 1984 to 1988, he worked at Arthur Andersen & Co in London specializing in taxation and qualified as a Chartered Accountant in 1988.

Mr. Stephen TAN

Aged 64, was appointed to the Board in 2007. He was educated in the United States and holds a Bachelor's Degree in Business Administration at Rutgers University, and a Master Degree in Business Administration at St. John's University. Mr. Tan is currently an executive director of Asia Financial Holdings Limited and was appointed as an independent non-executive director of China Motor Bus Company, Limited on 1 April 2014, both of which are listed on the main board of the Stock Exchange. He also sits on the boards of Bank Consortium Trust Company Limited, Hong Kong Life Insurance Limited and AFH Charitable Foundation Limited. Mr. Tan serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce Limited, the Managing Director of Federation of Hong Kong Chiu Chow Community Organizations and the Chairman of Bangkok Mercantile (Hong Kong) Company Limited. He is a Standing Committee Member of the Chinese General Chamber of Commerce, the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a member of the Board of Governors of Hong Kong Sinfonietta Limited, a Chartered member of the Rotary Club of The Peak.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Good corporate governance provides a framework that is essential for effective management, healthy corporate culture, successful business growth and better shareholders' value. The Group's corporate governance practices emphasize a well-balanced quality Board, effective risk management and internal control and accountability to shareholders. The Board has adopted the principles of good governance provided by the Code on Corporate Governance Practices (the "CG Code") in the Appendix 14 of the Listing Rules.

Due to prior business commitment, Dr. Charles Wai Bun Cheung, JP, an independent non-executive director, was unable to attend the 2017 annual general meeting of the Company. Save for the above, the Company has complied with the code provision set out in the CG Code throughout the year ended 31 March 2018.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Company is headed by an effective Board which is accountable to shareholders for the long-term performance and interests of the Company. The Board is responsible for directing business affairs of the Group which include determining the corporate objectives and business strategies, setting appropriate policies to manage risks and performing the corporate governance function. On the other hand, the Board delegated the management with the day to day running and operational matters of the Group and the management is held accountable for the performance of the Company.

Regarding the corporate governance duties, the Board as a whole is responsible for developing and reviewing the policies and practices on corporate governance and the legal and regulatory compliance; reviewing and monitoring the code of conduct and ethical behavior applicable to the Directors and employee; reviewing and monitoring the training and continuous professional development of Directors; and reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year under review, the Board has reviewed the corporate governance practices of the Company and the disclosure in this corporate governance report. It also monitored the training and continuous professional development of Directors regularly.

Decisions on important matters, including those affect the Group's strategic policies, annual and interim results, material transactions and funding exercises are reserved to the Board whereas the Group's general operations decisions are reserved to the management. The respective functions to the Board and the management have been formalized and set out in writing.

Composition of the Board

The Board currently comprises eight Directors, including five Executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors in the Company represents more than one-third of the Board, which satisfied the requirement under Rule 3.10(A) of the Listing Rules. The biographical details of the Directors including their names, positions and relationships are set out on pages 17 to 19. In particular, Mrs. Rossana Wang Gaw (Chairman) is the mother of Mr. Goodwin Gaw (Vice Chairman), Mr. Kenneth Gaw (Managing Director) and Ms. Christina Gaw (Executive Director). Save as aforesaid, none of the members of the Board is related to one another.

The Company has maintained on its website and that of Stock Exchange an updated list of Directors identifying their roles and functions and disclosed the names of Directors, including those Independent Non-executive Directors, in all corporate communications.

Chairman and Managing Director

The roles of the Chairman and the Managing Director of the Company are separate to reinforce their respective independence and accountability.

The Chairman provides leadership to and oversees the effective functioning of the Board with good corporate governance practices. With the support of the senior management, the Chairman ensures that all Directors receive adequate, complete and reliable information, and are properly briefed on issues arising at Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director heads the management and focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operation.

During the year under review, the Chairman of the Company is Mrs. Rossana Wang Gaw and the Managing Director is Mr. Kenneth Gaw.

Independent Non-executive Director

Each Independent Non-executive Director is appointed for a term of three years and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws. The Independent Non-executive Directors possess appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. Their active participation in the Board and committee meetings brings an objective and independent voice that protects the minority interests. The Company has received in writing the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

Directors and Officers Liability Insurance

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group. The insurance coverage is reviewed and renewed on annual basis.

Board Meetings and Procedures

The Board meets regularly, and at least four times a year, to review the business development and discuss any matters arising from corporate governance, risk management, accounting and financing. Additional meetings will be held upon the request of the members when they think necessary. Every Director is entitled to have full access to information on the Group and may, in appropriate circumstances, take independent professional advice at the Company's expense.

In respect of regular Board meetings, at least 14 days' notice is normally given to all Directors and all Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the Board meetings, which enable the Board to make an informed decision on the matters. Draft minutes of every Board meeting are circulated to all Directors for their comment within a reasonable time after the Board meeting is held. All the minutes are kept by the Company Secretary and available for inspection by any Director.

All Directors, including the Independent Non-executive Directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. The decisions made are collective decisions of all Directors after thorough discussion at the Board meetings. According to the current Board practices, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting and the director concerned will abstain from voting.

During the financial year, four Board meetings, the 2017 Annual General Meeting and one extraordinary general meeting were held. The composition of the Board and attendance record of each Director at these meetings are set out below:

Directors	Number of Board Meeting attended	Number of General Meeting attended
Executive Directors		
Rossana Wang Gaw (<i>Chairman</i>)	4/4	2/2
Goodwin Gaw (<i>Vice Chairman</i>)	3/4	0/2
Kenneth Gaw (<i>Managing Director</i>)	4/4	2/2
Christina Gaw	3/4	2/2
Alan Kam Hung Lee	4/4	2/2
Independent Non-executive Directors		
Dr. Charles Wai Bun Cheung, JP	4/4	1/2
Arnold Tin Chee Ip	3/4	2/2
Stephan Tan	4/4	2/2

Directors' Induction and Training

On appointment to the Board, each newly appointed director receives a comprehensive induction package covering policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

All Board members are encouraged to update their knowledge of and familiarity with the business environment related to the Group through active participation at Board meetings and enrolling in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance, corporate governance practices and professional skills at the Company's expense. The Company provides Directors with regular updates on the performance, financial position and latest development of the Group. Directors are also updated on any material changes in the Listing Rules, Companies Ordinance, rules and regulatory requirements related to directors' duties and responsibilities from time to time.

Corporate Governance Report

All Directors have provided the Company Secretary with their training record for the financial year under review and the training received by each Director is summarized below:

Directors	Reading journals, Newspapers and/or updates*	Attending seminars, webinars, forums and/or conference*
Executive Directors		
Rossana Wang Gaw (<i>Chairman</i>)	✓	✓
Goodwin Gaw (<i>Vice Chairman</i>)	✓	✓
Kenneth Gaw (<i>Managing Director</i>)	✓	✓
Christina Gaw	✓	✓
Alan Kam Hung Lee	✓	✓
Independent Non-executive Directors		
Dr. Charles Wai Bun Cheung, JP	✓	–
Arnold Tin Chee Ip	✓	✓
Stephen Tan	✓	✓

* All the trainings are related to corporate governance, rules and regulations, accounting, financial, management, professional skills and/or directors' duties and responsibilities.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains an appropriate and effective risk management and internal control systems. The Board should oversee the management in the design, implementation and monitoring of the risk management and internal control systems, and the management should provide a confirmation to the Board on the effectiveness of the systems.

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on at least annual basis, reviews the effectiveness of the internal audit function, and also considers the adequacy of resources, staff qualifications and experience, training programmes and budgets.

The Company's risk management and internal control systems have five components, including control environment, risk assessment, control activities, information and communication, and monitoring which are embedded in each business unit or functional area.

The management with the coordination of different business units implements the risk management and internal control systems in accordance to the Board's direction. They meet regularly to review and identify any significant management and operational risks and each of identified risks is assessed of its impact and likelihood. Various controls or safeguards are taken to address the significant risks. Timely and accurate information are effectively communicated among operational staff and the management. Material issues, particularly any incidence of control failings or weaknesses that may cause material impact on the business of the Group is to be reported to the Board and the Audit Committee on a timely basis.

The internal audit function undertaken by the internal auditor is also established to monitor the Group's internal governance and strive to provide an objective assurance to the Board on the adequacy, efficiency and effectiveness of the Group's risk management and internal control systems maintained by the management and to provide recommendations for improvement. The annual internal audit plan is reviewed and approved by the Audit Committee.

In the year under review, the Board has, through the Audit Committee and the external auditor, conducted the review of effectiveness of the Group's risk management and internal control systems, including all material financial, operational and compliance controls and assessed the adequacy of resources, qualification and experience of the staff of the Company's accounting and financial reporting function, and their training programs and budgets and the review of the internal audit function for the year ended 31 March 2018. The result of assessment is satisfactory and the Board was not aware any significant issues that would have an adverse impact on the effectiveness and adequacy of the systems of the Group. Also the management provided a confirmation to the Audit Committee and the Board on the effectiveness of the systems.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee consists of three Independent Non-executive Directors, including Mr. Arnold Tin Chee Ip (Chairman), Dr. Charles Wai Bun Cheung, JP and Mr. Stephen Tan. The responsibilities and functions of the Remuneration Committee are set out in its terms of reference and are available on the websites of the Company and the Stock Exchange.

The principal duties of the Remuneration Committee are to make recommendations to the Board regarding the Company's remuneration policy and structure; to assess the performance of executive directors; and to formulate and review the remuneration packages of all the Directors and senior executives.

The remuneration packages of Directors and senior management are reviewed and determined by the Remuneration Committee with reference to his/her position, duties and responsibilities, remuneration policy of the Company and the prevailing market conditions. Sufficient resources are provided to the Committee to discharge its duty. The Committee can consult the Chairman and the Managing Director about their proposals relating to the remuneration of the Executive Directors and have access to independent professional advice at the Company's expense if necessary.

Corporate Governance Report

During the financial year, one Remuneration Committee meeting was held and attendance record of each Director is set out as below:

Directors	Number of Remuneration Committee Meeting attended
Independent Non-executive Directors	
Arnold Tin Chee Ip (<i>Chairman</i>)	0/1
Dr. Charles Wai Bun Cheung, JP	1/1
Stephen Tan	1/1

In the meeting, the Remuneration Committee assessed the performance of the Executive Directors and reported to the Board the remuneration packages for the Executive Directors for year 2018 and the bonus for year 2017. Details of the Directors' remuneration for year 2018 are set out in note 11 to the financial statements.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors, including Dr. Charles Wai Bun Cheung, JP (Chairman), Mr. Arnold Tin Chee Ip and Mr. Stephen Tan. The responsibilities and functions of the Audit Committee are set out in its terms of reference and are available on the websites of the Company and the Stock Exchange.

The principal duties of the Audit Committee are to review the interim and annual financial statements; to investigate any activity within its terms of reference; to oversee the Company's relationship with external auditor; to discuss any issues arising from the audits and any matters raised by the external auditor; to assess the risk management and internal control systems; to review the effectiveness of the internal audit function; and to monitor the financial aspects of the Group. The Audit Committee meets twice a year with external auditor and is provided with sufficient resources to discharge its duty and has access to independent professional advice at the Company's expense if necessary.

During the financial year, two Audit Committee meetings were held and attendance record of each Director is set out as below:

Directors	Number of Audit Committee Meeting attended
Independent Non-executive Directors	
Dr. Charles Wai Bun Cheung, JP (<i>Chairman</i>)	2/2
Arnold Tin Chee Ip	2/2
Stephen Tan	2/2

Throughout the year, the Audit Committee reviewed the interim and annual financial statements and reports of the Group with the external auditor and senior management before recommending them to the Board for consideration and approval. The Committee also reviewed the continuing connected transaction and monitored the integrity of the financial statements and paid attention to any changes in accounting policies and practices and their impact on the Group's financial statements. In addition, the Audit Committee assisted the Board in meeting its responsibilities for maintaining an effective systems of risk management and internal control and the internal audit function during the financial year. The Committee reviewed the risk management and internal control systems report and internal audit report prepared by the management/internal auditor and discussed the same with the external auditor to ensure the effectiveness and efficiency of the Group's operation. The external auditor and the Audit Committee were satisfied that the overall financial and operational controls for the Group continued to be effective. The work and finding of the Audit Committee were reported to the Board.

Nomination Committee

The Nomination Committee consists of three Independent Non-executive Directors and two Executive Directors. Mrs. Rossana Wang Gaw is the Chairman of the Nomination Committee whereas Mr. Kenneth Gaw, Dr. Charles Wai Bun Cheung, JP, Mr. Arnold Tin Chee Ip and Mr. Stephen Tan are the Committee members. The responsibilities and functions of the Nomination Committee are set out in its terms of reference are available on the websites of the Company and the Stock Exchange.

The principal duties of the Nomination Committee are to review the structure, size and composition of the Board; to assess the independence of the Independent Non-executive Directors; and to make recommendation to the Board on selection of candidates for directorship and on appointment or reappointment of directors.

The Company adopted a board diversity policy with the aim of achieving diversity on the Company's board of directors. Our board diversity policy considers that board diversity includes a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Under the board diversity policy, the Nomination Committee has responsibility in leading the progress for Board appointments: when there is a vacancy or an addition director, the Committee will identify suitable candidates internally and externally for nomination.

The Committee will assess the candidates based on a range of diversity perspectives stated above before recommended to the Board. All directors so appointed by the Board are subject to election by shareholders at the forthcoming general meeting.

Corporate Governance Report

During the financial year, one Nomination Committee meeting was held and attendance record of each Director is set out as below:

Directors	Number of Nomination Committee Meeting attended
Executive Directors	
Rossana Wang Gaw (<i>Chairman</i>)	1/1
Kenneth Gaw	1/1
Independent Non-executive Directors	
Dr. Charles Wai Bun Cheung, JP	1/1
Arnold Tin Chee Ip	0/1
Stephen Tan	1/1

In the meeting, the Nomination Committee reviewed the structure, size and composition of the Board and the board diversity policy, assessed the independence of Independent Non-executive Directors and discussed the re-appointment of retiring Directors at 2018 annual general meeting.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that they are responsible for preparing the accounts in accordance with generally accepted accounting standards in Hong Kong, the requirements of the Listing Rules and applicable laws as well as the integrity of the financial information so reported. Starting from April 2012, the Company has provided all Directors with monthly management updates of the Company's performance, financial positions and other major matters, giving a balanced and understandable assessment to each Director to discharge their duties.

The consolidated financial statements of the Company for the year ended 31 March 2018 are prepared on the going concerns basis and have been audited by the external auditor, CHENG & CHENG LIMITED, and reviewed by the Audit Committee. The Auditor's reporting responsibilities are included in the Independent Auditor's Report on pages 31 to 35.

During the financial year ended 31 March 2018, the fees charged by the external auditor of the Company for their statutory audit services amounted to HK\$560,000 and no non-audit services were provided to the Group.

DIRECTORS' DEALING IN SHARES OF THE COMPANY

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors of the Company. The Company having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018. The relevant employees who are likely to be in possession of inside information of the Company are required to comply with the provisions of the Model Code.

COMPANY SECRETARY

Our Company Secretary, a full time employee of the Company, is responsible for assisting the Board on corporate governance matters and communication with shareholders. For the year under review, the Company Secretary has confirmed that she has undertaken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to convene a special general meeting

Pursuant to the Companies Act of Bermuda, a special general meeting may be convened by the Board of Directors upon requisition by any shareholder(s) holding not less than one-tenth of the paid-up capital of the Company as at the date of deposit carries the right of voting at the general meetings of the Company. The requisition must state the purpose of the meeting, and each must be signed by the relevant shareholders and deposited to the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

If the Board of Directors does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the shareholder(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedure for Shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act of Bermuda, either any number of the registered shareholders holding not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolutions which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to receive notice of the next general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or business to be dealt with at that meeting.

Corporate Governance Report

Each of requisition must be signed by the relevant shareholders and deposited to the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda not less than six weeks before the meeting, in case of a requisition requiring notice of a resolution; and not less than one week before the meeting, in case of any other requisition, together with a sum reasonably sufficient to meet the Company's expense in sending the notice.

Procedure for Shareholders to propose a person for election as a director

The procedure for proposing a person for election as a director is stated at the Company's website under the Corporate Governance Section.

Procedure for Shareholders to direct enquiries to the Board

Any enquiries by shareholders drawing the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email (info@pioneerglobalgroup.com). Shareholders may also make enquiries during the general meetings of the Company.

Constitutional Documents

During the financial year ended 31 March 2018, no change have been made to the constitutional documents of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Investors and shareholders can also visit the Company's website (www.pioneerglobalgroup.com or www.irasia.com/listco/hk/pioneer/index.htm) for relevant corporate and financial information.

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman, senior management, Independent Non-executive Directors and external auditor participate in the meeting to answer any questions from the shareholders. An annual general meeting circular is distributed to all shareholders at least 20 clear business days prior to the annual general meeting. To facilitate enforcement of the shareholders' rights, significant issues are dealt with under separate resolutions. All resolutions at the annual general meeting of the Company will be decided on a poll and the Company will engage external scrutineer or proper counting of the votes. Results of the poll will be published on the websites of the Company and the Stock Exchange.

Independent Auditor's Report



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

TO THE SHAREHOLDERS OF

PIONEER GLOBAL GROUP LIMITED

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Pioneer Global Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 36 to 98, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment properties	
<p>Refer to note 12 to the consolidated financial statements.</p> <p>As at 31 March 2018, the carrying amount of the Group's investment properties amounted to approximately HK\$7,158,000,000 as disclosed in note 12 to the consolidated financial statements, unrealised gain on fair value changes of investment properties of approximately HK\$475,497,000 was recognised in profit or loss.</p> <p>All the Group's investment properties are measured at fair value based on valuations performed by an independent qualified professional valuer engaged by the Company. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 12 to the consolidated financial statements. Given that the valuation was significant to the Group and that the fair value estimate itself is subjective, we have identified the valuation of the investment properties as one of the key audit matters.</p>	<p>We reviewed the valuation report prepared by the independent valuer engaged by the Company. We discussed with the management of the Company and the valuer the appropriateness of the valuation approach and key assumptions being used in determining the fair value of the investment properties as at 31 March 2018.</p> <p>We compared the market transactions and market rental with similar properties and locations.</p> <p>We evaluated the valuer's competence, capabilities and objectivity.</p>
Valuation of associates	
<p>Refer to note 13 to the consolidated financial statements.</p> <p>As at 31 March 2018, the carrying amount of the Group's interest in associates amounted to approximately HK\$2,111,862,000 as disclosed in note 13 to the consolidated financial statements. Included in this balance, Supreme Key Limited ("Supreme Key") is a material associate of the Group amounted to approximately HK\$1,473,519,000. The major investment of Supreme Key is investment property, which is measured at fair value based on valuation performed by an independent qualified professional valuer. Given that the fair value estimate itself is subjective, we have identified the valuation of the investment property of Supreme Key as one of the key audit matters.</p>	<p>We were not the statutory auditor of the financial statements of Supreme Key. We discussed with the asset manager of Supreme Key, a company engaged by the major investor carrying management services of Supreme Key and its subsidiaries, and management of the Group the performance of the associate and how the associate prepared the financial statements, in particular, whether the accounting policies used by the associate in preparing its financial statements were in line with the Group's policies. With regard to the associate's investment property, we performed the procedures which are same as those procedures as we have conducted for addressing the key audit matter "Valuation of the Group's investment properties" as set out above.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHENG & CHENG LIMITED

Certified Public Accountants

Cheng Hong Cheung

Practising Certificate Number: P01802

Hong Kong, 21 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

		For the year ended 31 March	
	Notes	2018 HK\$'000	2017 HK\$'000
Turnover			
Company and subsidiaries		264,576	295,049
Share of associates (Note)		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)
Operating profit		191,886	227,467
Share of profits of associates		133,469	31,220
Change in fair value of investment properties	12	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
Earnings per share	10	HK cents 54.03	HK cents 69.77

Note: 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

	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

At 31 March 2018

	Notes	At 31 March 2018 HK\$'000	At 31 March 2017 HK\$'000
ASSETS			
Non-current assets			
Investment properties	12	7,158,000	6,675,600
Associates	13	2,111,862	1,069,978
Available for sale investments	14	530,141	428,680
Property, plant & equipment	15	4,979	1,842
Deposit paid for acquisition of additional interest in an associate		–	459,444
Other assets		300	300
		9,805,282	8,635,844
Current assets			
Debtors, advances & prepayments	16	25,464	30,566
Available for sale investments	14	–	85,060
Financial assets at fair value	17	1,326	1,349
Cash & bank balances	18	198,109	472,473
		224,899	589,448
Total assets		10,030,181	9,225,292
EQUITY			
Share capital	19	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
LIABILITIES			
Non-current liabilities			
Creditors & accruals	20	47,073	51,633
Secured bank loans	21	1,263,500	1,413,769
Obligations under finance lease	22	1,008	–
Deferred taxation	23	55,170	47,503
		1,366,751	1,512,905
Current liabilities			
Creditors & accruals	20	42,200	34,530
Secured bank loans	21	1,015,804	863,500
Obligations under finance lease	22	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

The Group's consolidated financial statement on pages 36 to 98 were approved and authorized for issue by the Board of Directors on 21 June 2018 and are signed on its behalf by:

Kenneth Gaw
Director

Alan Kam Hung Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve & surplus		Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
			contributed	Exchange							
			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	-	-	-	-	102,307	-	-	102,307	-	102,307	
- non-controlling interests	-	-	-	-	-	-	-	-	19,072	19,072	
Exchange on translation of associates	-	-	-	36,820	-	-	-	36,820	-	36,820	
Other comprehensive income for the year	-	-	-	36,820	102,307	-	-	139,127	19,072	158,199	
Profit attributable to equity holders of the Company	-	-	-	-	-	-	623,498	623,498	104,887	728,385	
Total comprehensive income for the year	-	-	-	36,820	102,307	-	623,498	762,625	123,959	886,584	
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(42,000)	(42,000)	
2017 final dividend paid	-	-	-	-	-	-	(34,621)	(34,621)	-	(34,621)	
2018 interim dividend paid	-	-	-	-	-	-	(17,311)	(17,311)	-	(17,311)	
At 31 March 2018	115,404	547,748	41,242	25,920	204,722	174,497	5,512,368	6,621,901	982,384	7,604,285	

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve & surplus		Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
			contributed	surplus							
			HK\$'000	HK\$'000							
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	-	-	-	-	49,873	-	-	49,873	-	49,873	
- non-controlling interests	-	-	-	-	-	-	-	-	(6,961)	(6,961)	
- associates	-	-	-	-	(43,098)	-	-	(43,098)	-	(43,098)	
Exchange on translation of associates	-	-	-	23,000	-	-	-	23,000	-	23,000	
Release of exchange reserve upon disposal of associates	-	-	-	(4,262)	-	-	-	(4,262)	-	(4,262)	
Other comprehensive income for the year	-	-	-	18,738	6,775	-	-	25,513	(6,961)	18,552	
Profit attributable to equity holders of the Company	-	-	-	-	-	-	805,189	805,189	102,052	907,241	
Total comprehensive income for the year	-	-	-	18,738	6,775	-	805,189	830,702	95,091	925,793	
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(25,453)	(25,453)	
2016 final dividend paid	-	-	-	-	-	-	(32,313)	(32,313)	-	(32,313)	
2017 interim dividend paid	-	-	-	-	-	-	(16,157)	(16,157)	-	(16,157)	
At 31 March 2017	115,404	547,748	41,242	(10,900)	102,415	174,497	4,940,802	5,911,208	900,425	6,811,633	

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	For the year ended 31 March 2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Profit before taxation		752,736	931,920
Share of profits of associates		(133,469)	(31,220)
Increase in fair value of investment properties		(475,497)	(432,462)
Other gains and losses		(1,397)	(287,755)
Depreciation		1,814	341
Interest income		(5,207)	(4,355)
Finance costs		50,411	44,971
Dividend income			
– listed		(7,485)	(7,567)
– unlisted		(193)	(18,128)
Operating cash flows before working capital changes			
Decrease in debtors, advances & prepayments		5,577	3,423
Increase in creditors & accruals		2,999	6,393
Proceeds on disposal of financial assets at fair value		2	–
Cash generated from operations			
		190,291	205,561
Hong Kong profits tax paid		(19,454)	(26,468)
Hong Kong profits tax refunded		1,885	–
Net cash generated from operating activities			
		172,722	179,093
Cash flows from investing activities			
Acquisition of a subsidiary	24	–	(651,991)
Deposit paid for acquisition of additional interest in an associate		–	(459,444)
Proceeds on disposal of subsidiaries	25	–	810,210
Additions to investment properties		(6,903)	(17,347)
Available for sale investments:			
– Purchase of available for sale investments		(6,578)	(161,472)
– Distribution from available for sales investments		294	17,090
– Proceeds on disposal of available for sale investments		112,306	268,755
Associates:			
– Advance to associates		(4)	(128)
– Repayment from associates		7,351	–
– Distribution from associates		42,195	18,549
– New/additional investment		(461,693)	(4,095)
Property, plant & equipment:			
– Purchase of property, plant & equipment		(4,857)	(161)
– Proceeds on disposal of property, plant & equipment		180	70
Dividend received from available for sale investments		7,625	25,651
Dividend received from financial assets at fair value		53	44
Interest received		4,732	4,306
Net cash used in investing activities			
		(305,299)	(149,963)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	For the year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Cash flows from financing activities			
Bank loans raised		263,500	450,889
Repayment of the bank loans		(263,500)	–
Repayment of obligations under finance lease		(269)	–
Interest paid		(44,288)	(44,436)
Other finance cost paid		(3,977)	–
Dividend paid to shareholders of the Company		(51,932)	(48,470)
Distributions to non-controlling shareholders of subsidiaries		(42,000)	(25,453)
Net cash (used in)/generated from financing activities		(142,466)	332,530
Net (decrease)/increase in cash and cash equivalents		(275,043)	361,660
Exchange difference		679	2,331
Cash and cash equivalents at the beginning of the year		472,473	108,482
Cash and cash equivalents at the end of the year		198,109	472,473
Analysis of the balances of cash and cash equivalents			
Bank balances, cash & deposits placed with banks up to three months' maturity	18	198,109	472,473

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Pioneer Global Group Limited is a limited liability company, incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report. The principal activity of the Company is investment holding and the principal activities of its major subsidiaries and associates are shown in notes 35 and 36 respectively.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the functional currency of the Company.

(b) Statement of compliance

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.

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 note 26. 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 note 26, the application of these amendments has had no impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Statement of compliance *(continued)*

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 1 January, 2018

² Effective for annual periods beginning on or after 1 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 1 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Statement of compliance *(continued)*

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 recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized 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 recognized 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 recognized.

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 impacts on initial application of HKFRS 9 which are still subject to changes until assessment is final.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Statement of compliance *(continued)*

HKFRS 9, Financial instruments *(continued)*

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 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 amortized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Statement of compliance *(continued)*

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 recognize 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 recognizes 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, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Statement of compliance *(continued)*

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 lease 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 recognized 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 recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2018 incorporate the financial statements of the Company and its subsidiaries (the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, available for sale investments and financial assets at fair value are stated at their fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, Share-based Payment, leasing transactions that are within the scope of HKAS 17, Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2, Inventories or value in use in HKAS 36, Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interest in associates on the basis set out in note 1(f) below. Results of subsidiaries and associates acquired or disposed of during the year are included as from their effective dates of acquisition to 31 March 2018 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(e) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with entity and had the ability to affect those returns through its power over the entity. When assessing whether the Group has power of controls, only substantive rights held by the Group are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances and realized surplus and deficits on transactions between group companies have been eliminated. Non-controlling interests ("NCI") represent the proportion of the results and net assets of subsidiaries not attributable to the Group.

In the Company's statement of financial position (see note 33), the investment in subsidiaries is stated at cost less any impairment losses.

(f) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognized for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) **Associates** *(continued)*

The financial statements of associates used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

In the Company's statement of financial position (see note 33), the investment in associates is stated at cost less impairment losses.

(g) **Investment properties**

Investment properties are land and/or buildings, which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are stated in the consolidated statement of financial position at fair value. Any gain or loss arising from a change in fair value is recognized in profit or loss.

Subsequent costs are capitalized in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group.

(h) **Property, plant & equipment**

Property, plant & equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost over their estimated useful lives on the reducing balance method at 10-25% p.a..

(i) **Financial assets**

The Group classifies its financial assets in the categories of financial assets at fair value, loans and receivables (including debtors and cash & bank balances) and available for sale investments. When financial assets are recognized initially, they are measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value) are deducted from fair value on initial recognition. Transaction costs that are directly attributable to financial assets at fair value are recognized immediately to profit or loss. The Group determines the classification of its investments after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

The financial instruments are grouped into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

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).

All regular way purchases and sales of investments are recognized on the trade date i.e. the date that the Group commits to purchase the assets. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the period generally established by regulation or convention in the market place.

(i) *Financial assets at fair value*

Financial assets held for short term trading purposes is classified as 'financial assets at fair value'. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses arising from changes in fair value are recognized in profit or loss.

(ii) *Available for sale investments*

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in any other categories of financial assets. After initial recognition, available for sale investments are measured at fair value with gains or losses being recognized in other comprehensive income and accumulated in a separate component of equity until the investment is derecognized or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is reclassified to profit or loss.

If any objective evidence exists for impairment of available for sale investments, the accumulated loss which is measured as the difference between the acquisition cost and the current fair value, is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(ii) Available for sale investments *(continued)*

In respect of equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequently to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(j) Impairment of assets

At each year end date, the Group reviews the carrying amounts of its tangible and intangible assets other than financial assets excluding investment in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(k) Leases

(i) Operating lease

Leases whereby substantially all the rewards and risks of ownership of assets remain with the leasing company are considered as operating leases. Rental income and expenses under operating leases are accounted for on a straight-line basis over the respective periods of the leases.

(ii) Finance lease

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalized at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Debtors

Receivables from debtors are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method, less allowance for doubtful debt. When doubtful debts are identified, provisions are made and recognized in profit or loss.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks repayable within three months from the date of placement, less bank overdrafts and advances from banks repayable within three months from the date of advance.

(n) Bank loans and interest-bearing borrowings

Bank loans and interest-bearing borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to raising of the bank loans and interest-bearing borrowings. They are subsequently stated at amortized cost. Any difference between the cost and the redemption value is recognized in profit or loss over the period of the bank loans and interest-bearing borrowings using the effective interest rate method.

(o) Creditors

Payables to creditors are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Creditors are classified as current liabilities if payment is due within one year or less; otherwise, they are presented as non-current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition

(i) Rental income

Rental income is recognized on a straight-line basis over the periods of the leases.

(ii) Rendering of services

Services income is recognized when the services are rendered and billed to clients.

(iii) Dividend income

Dividend income from investments is recognized when the right to receive payment have been established.

(iv) Interest income

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(q) Foreign currencies

The functional and presentation currency of the Company, subsidiaries and associates which operate in Hong Kong is in Hong Kong dollars. Certain overseas subsidiaries and associates which operate overseas are in their respective local currencies.

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at the applicable rates ruling at that date. Exchange differences are dealt with in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the statement of profit or loss of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their statements of financial position are translated into Hong Kong dollars at the exchange rates ruling at the year end date. The resulting translation differences are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

The Group participates in a defined contribution mandatory provident fund retirement benefits scheme in compliance with the Mandatory Provident Fund Schemes Ordinance. The assets of this scheme are held separately from those of the Group and administered independently. The Group's contributions are recognized in the statement of profit or loss when incurred. The amount of contributions by the Group is based on a specified percentage of the monthly relevant income of the eligible employees. Forfeited contributions of the fund will be used to reduce the existing retirement scheme costs.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and the deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized on a time apportionment basis, taking into account the principal and the effective interest rates. They are charged to the profit or loss in the period in which they are incurred.

(u) Related parties

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of key management personnel of the Group or the Group's holding company.
- (ii) An entity is related to the Group if any of the following conditions apply:
 - (1) The entity and the Group are members of the same Group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

- (ii) An entity is related to the Group if any of the following conditions apply: *(continued)*
 - (6) The entity is controlled or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of key management personnel of the entity (or of the holding company of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the holding company of the reporting entity.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from these involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties of subsidiaries and associates that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolio and concluded that the fair value of the Group's investment properties located in Hong Kong will be recovered through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Deferred taxation on investment properties *(continued)*

For the Group's investment properties located in the People's Republic of China ("PRC"), the directors of the Company concluded that they are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the directors of the Company determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

As a result, the Group has not recognized any deferred tax on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. In respect of those investment properties located in the PRC, the Group recognized additional deferred taxes relating to Enterprise Income Tax upon disposal on changes in fair value of such investment properties as appropriate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Valuation of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK\$7,158,000,000 (2017: HK\$6,675,600,000) based on the valuations conducted by AA Property Services Limited, independent professional valuers, with reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalization of rental income from properties.

In relying on the valuations, the management of the Group has exercised their judgments and is satisfied that the method of valuation is reflective of the current market conditions. Details of the carrying amounts of investment properties as at 31 March 2018 are disclosed in note 12.

Valuation of available for sale investments

At the end of the reporting period, the Group's available for sale investments are stated at fair value of HK\$530,141,000 (2017: HK\$513,740,000) based on market-observable data to the extent it is available. When level 1 inputs are not available, the Group establishes appropriate valuation techniques and inputs for level 2 and level 3 fair value measurements.

In relying on the valuations, the management of the Group has exercised their judgements and is satisfied that the method of valuation is reflective of current market conditions. Details of the carrying amounts of available for sale investments as at 31 March 2018 are disclosed in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 operating and reportable segments are:

- (i) property and hotels – investment in property and hotels that earn rental and hotel operating income; and
- (ii) investments and others – other investments that generate dividend and interest income.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SEGMENT INFORMATION *(continued)*

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.

Other information

Amounts included in the measure of segment profit or loss or segment assets:

	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
Capital expenditure	468,596	673,462	11,745	161,473	480,341	834,935
Depreciation	1,814	341	-	-	1,814	341

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SEGMENT INFORMATION *(continued)*

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)

	Turnover by geographical market		Segment assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	259,777	272,736	7,506,987	7,401,660
Overseas	4,799	22,313	411,332	753,654
	264,576	295,049	7,918,319	8,155,314

No single customer contributed more than 10% of the Group's revenue for each of the year ended 31 March 2018 and 2017.

4. TURNOVER

	2018 HK\$'000	2017 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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

5. OTHER GAINS AND LOSSES

	2018 HK\$'000	2017 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 HK\$'000	2017 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 HK\$'000	2017 HK\$'000
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	21,075	15,135
Minimum lease payment for Directors' quarters	2,850	2,760
Pension scheme contributions	225	222
Auditor's 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)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

8. TAXATION

(a) Taxation

	2018			2017		
	Current taxation HK\$'000	Deferred taxation HK\$'000	Total HK\$'000	Current taxation HK\$'000	Deferred taxation HK\$'000	Total 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.

(b) Reconciliation between accounting profits and the taxation charge

	2018 HK\$'000	2017 HK\$'000
Profit before taxation	752,736	931,920
Less: Share of profits of associates	(133,469)	(31,220)
Profit before taxation attributable to the Company and its subsidiaries	619,267	900,700
Tax calculated at applicable tax rate of 16.5% (2017: 16.5%)	102,179	148,616
Effect of different applicable tax rate for operations in overseas	339	-
Expenses not deductible for taxation purposes	1,002	1,486
Income not subject to taxation	(79,143)	(124,021)
Current year tax losses not recognized	135	55
Deferred tax asset not recognized during the year	-	(75)
Utilization of previously unrecognized tax loss	(121)	(1,084)
Over-provision in prior years	(40)	(298)
Taxation charge	24,351	24,679

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

9. DIVIDENDS

	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.

10. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to ordinary shareholders of the Company amounting to HK\$623,498,000 (2017: HK\$805,189,000) and on the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Directors' fee HK\$'000	Salaries, allowances and benefits HK\$'000	Discretionary bonus* HK\$'000	Pension scheme contributions HK\$'000	2018 Total HK\$'000
Executive Directors					
Rossana Wang Gaw	55	2,776	1,100	–	3,931
Goodwin Gaw	55	465	1,500	–	2,020
Kenneth Gaw	55	3,986	2,500	18	6,559
Christina Gaw	55	267	1,200	14	1,536
Alan Kam Hung Lee	55	1,565	1,500	18	3,138
Independent Non-executive Directors					
Charles, Wai Bun Cheung, JP	100	–	–	–	100
Stephen Tan	100	–	–	–	100
Arnold Tin Chee Ip	100	–	–	–	100
Total	575	9,059	7,800	50	17,484
	Directors' fee HK\$'000	Salaries, allowances and benefits HK\$'000	Discretionary bonus* HK\$'000	Pension scheme contributions HK\$'000	2017 Total HK\$'000
Executive Directors					
Rossana Wang Gaw	50	2,720	1,100	–	3,870
Goodwin Gaw	50	444	800	–	1,294
Kenneth Gaw	50	3,573	1,500	18	5,141
Christina Gaw	50	254	500	18	822
Alan Kam Hung Lee	50	1,496	1,200	18	2,764
Independent Non-executive Directors					
Charles, Wai Bun Cheung, JP	90	–	–	–	90
Stephen Tan	90	–	–	–	90
Arnold Tin Chee Ip	90	–	–	–	90
Total	520	8,487	5,100	54	14,161

* The bonus is determined based on performance of the Group and the current market environment.

No directors waived any emoluments in the years ended 31 March 2018 and 31 March 2017.

Notes to the Consolidated Financial Statements

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11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Other senior management's emoluments

During the year, the five highest paid individuals are all directors (2017: four directors), details of whose emoluments are included above. The details of the remuneration of the remaining one highest paid individual for 2017 (2018: nil) are set out below:

	2018	2017
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	–	716
Bonuses	–	232
Pension scheme contributions	–	18
	–	966

The number of highest paid individual fell within emoluments bands is as follows:

	2018	2017
HK\$		
Nil – 1,000,000	–	1

12. INVESTMENT PROPERTIES

	2018	2017
	HK\$'000	HK\$'000
At valuation at 31 March 2017 (31 March 2016)	6,675,600	6,353,900
Additions	6,903	17,347
Addition upon acquisition of a subsidiary <i>(note 24)</i>	–	652,000
Disposal of a subsidiary <i>(note 25(b))</i>	–	(780,109)
Revaluation	475,497	432,462
At 31 March 2018 (31 March 2017)	7,158,000	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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. INVESTMENT PROPERTIES *(continued)*

Investment properties have been valued at 31 March 2018 and 2017 by AA Property Services Limited, independent professional valuers, who have recognized relevant professional qualifications and experiences in valuation of properties. The directors of the Company 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.

The following table presents the investment properties measured at fair value at 31 March 2018 and 2017 on a recurring basis, categorized into level 3 under the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. Inputs used in determining fair value measurement are categorized into different levels based on the extent of observable and unobservable inputs being used in the valuation technique.

Descriptions	Fair value HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
As at 31 March 2018		
Investment properties		
In Hong Kong	7,135,000	7,135,000
In Mainland China	23,000	23,000
	7,158,000	7,158,000
As at 31 March 2017		
Investment properties		
In Hong Kong	6,656,000	6,656,000
In Mainland China	19,600	19,600
	6,675,600	6,675,600

During the year, there were no transfers between level 1 and 2, or transfer in and out of level 3. The Group's policy is to recognize transfer as at the end of the reporting period in which they occur.

As at 31 March 2018 and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. INVESTMENT PROPERTIES (continued)

Information about fair value measurement using significant unobservable inputs

2018

Descriptions	Fair value as at 31 March 2018 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties in Hong Kong	7,135,000	Investment approach	(i) Capitalization rate	2.4% – 4.2%	The higher the capitalization rate, the lower the fair value
			(ii) Market rent	HK\$8 – HK\$89/ft ² per month	The higher the market rent, the higher the fair value
Properties in Mainland China	23,000	Investment approach	(i) Capitalization rate	2.8%	The higher the capitalization rate, the lower the fair value
			(ii) Market rent	RMB90/m ² per month	The higher the market rent, the higher the fair value

2017

Descriptions	Fair value as at 31 March 2017 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties in Hong Kong	6,656,000	Investment approach	(i) Capitalization rate	2.7% – 4.6%	The higher the capitalization rate, the lower the fair value
			(ii) Market rent	HK\$8 – HK\$89/ft ² per month	The higher the market rent, the higher the fair value
Properties in Mainland China	19,600	Investment approach	(i) Capitalization rate	3.0%	The higher the capitalization rate, the lower the fair value
			(ii) Market rent	RMB90/m ² per month	The higher the market rent, the higher the fair value

The fair value measurement of investment properties is based on the highest and best use, which does not differ from their actual use.

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For the year ended 31 March 2018

13. ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investment	219,622	90,004
Share of post-acquisition reserves	714,590	544,301
	934,212	634,305
Amount due from associates	1,177,650	442,065
Amount due to associates	-	(6,392)
	2,111,862	1,069,978

The carrying value of associates increased by approximately HK\$1.1 billion was mainly due to the increase in the Group's shareholdings in an associate, Supreme Key Limited from 10% to 30% in June 2017.

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment. The directors of the Company consider that the amounts due from/to associates as at the end of the reporting period form part of the net investments in the relevant associates.

Particulars of the Group's major associates as at 31 March 2018 and 2017 are set out in note 36.

	2018 HK\$'000	2017 HK\$'000
Carrying value of the material associate in the consolidated financial statements:		
Supreme Key Limited	1,473,519	463,655
Aggregate carrying value of associates that are not individually material in the consolidated financial statements	638,343	606,323
	2,111,862	1,069,978

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

13. ASSOCIATES (continued)

Summary of financial information of the material associate, Supreme Key Limited (accounted for as an investment entity), is as follows:

	Supreme Key Limited	
	2018	2017
	HK\$'000	HK\$'000
Non-current assets	4,767,690	4,305,103
Current assets	109,109	297,807
Non-current liabilities	(3,734,313)	(3,739,131)
Current liabilities	(148,902)	(184,829)
Net assets	993,584	678,950
Revenue		
Net change in unrealized appreciation on financial assets at fair value through profit or loss	140,467	(140,274)
Dividend and interest income	175,644	162
	316,111	(140,112)
Profit/(loss) for the year	315,509	(140,923)
Other comprehensive income/(expense)	-	-
Total comprehensive income/(expense)	315,509	(140,923)
Dividend received from the associate	-	-
Reconciled to the Company's interest on the associate:		
Gross amounts of net assets of the associate	993,584	678,950
Group's effective interest	30.0%	10.0%
Group's share of net assets of the associate	298,075	67,895
Amount due from the associate	1,175,444	395,760
Carrying value of the associate in the consolidated financial statements	1,473,519	463,655

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13. ASSOCIATES (continued)

Aggregate financial information of associates that are not individually material:

	2018 HK\$'000	2017 HK\$'000
Aggregate carrying value of associates that are not individually material in the consolidated financial statements	638,343	606,323
Aggregate amounts of the Group's share of those associates:		
Profit for the year	34,197	46,502
Other comprehensive income/(expense)	36,820	(20,098)
Total comprehensive income	71,017	26,404

14. AVAILABLE FOR SALE INVESTMENTS

	2018 HK\$'000 Level 1	2018 HK\$'000 Level 2	2018 HK\$'000 Level 3	2018 HK\$'000 Total
Non-current				
Listed equity investments				
In Hong Kong	145,437	-	-	145,437
Outside Hong Kong	105,367	-	-	105,367
Listed debt securities/investment funds				
In Hong Kong	6,971	-	-	6,971
Outside Hong Kong	69,211	-	-	69,211
Unlisted equity investments at fair value				
In Hong Kong	-	-	37	37
Outside Hong Kong	-	105,537	91,307	196,844
Unlisted investment funds at fair value				
Outside Hong Kong	-	-	6,274	6,274
	326,986	105,537	97,618	530,141

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14. AVAILABLE FOR SALE INVESTMENTS (continued)

	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000
	Level 1	Level 3	Total
Non-current			
Listed equity investments			
In Hong Kong	124,702	–	124,702
Outside Hong Kong	97,256	–	97,256
Listed debt securities/investment funds			
In Hong Kong	7,186	–	7,186
Outside Hong Kong	82,427	–	82,427
Unlisted equity investments at fair value			
In Hong Kong	–	37	37
Outside Hong Kong	–	112,254	112,254
Unlisted investment funds at fair value			
Outside Hong Kong	–	4,818	4,818
	311,571	117,109	428,680
Current			
Listed debt securities			
In Hong Kong	15,869	–	15,869
Outside Hong Kong	69,191	–	69,191
	85,060	–	85,060

The available for sale investments are measured at fair value at subsequent reporting dates. 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 maximizing the use of observable market data where it is available (level 2 input).

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 not based on observable market data (level 3 inputs).

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14. AVAILABLE FOR SALE INVESTMENTS *(continued)*

The unlisted equity investments at fair value outside Hong Kong consist of two major investments. The first investment is a 9.75% ownership in a Malaysian private company with principal operation in property development in Malaysia (“Malaysian Investment”). The fair value of the investment as at 31 March 2018 was HK\$105,537,000 (2017: HK\$51,045,000). The other investment is a 4% ownership in a British Virgin Islands incorporated company which indirectly holds an investment property in Shanghai, PRC for rental income (“Shanghai Investment”). The fair value of this investment as at 31 March 2018 was HK\$91,022,000 (2017: HK\$60,923,000).

The fair value measurement of the Malaysian Investment was classified as level 3 as at 31 March 2017 and was measured using discounted cash flow model. However, the measurement was changed from level 3 to level 2 as at 31 March 2018 because there was a sale of ownership by other shareholder in April 2018, thus the directors of the Company considered measuring fair value with reference to recent market transaction in 2018 is most appropriate reflecting the investment value to the extent it is available, of which the sale price was a level 2 inputs.

The fair value measurement of the Shanghai Investment was classified as level 3 of which the significant portion of the fair value of the investment comes from the investment property. The fair value of the investment property as at 31 March 2018 amounted to RMB4,411,000,000 (equivalent to approximately HK\$5,408,327,000) (2017: RMB3,876,000,000, equivalent to approximately HK\$4,325,616,000). The fair value of the investment property was measured by an independent valuer engaged by the management of the investee.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the investment property:

Valuation technique	Significant unobservable inputs	Range or weighted average of unobservable inputs	Relationship of unobservable inputs to fair value	
Commercial property	Income capitalization method	Investment yield	5.0%-6.0% (2017: 5.8%-6.5%)	The higher the investment yield, the lower the fair value
	Market rent	Office portion	RMB9.22/m ² /day (2017: RMB8.92/m ² /day)	The higher the market rent, the higher the fair value
		Retail portion	RMB12.12/m ² /day (2017: RMB11.20/m ² /day)	

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14. AVAILABLE FOR SALE INVESTMENTS *(continued)*

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

	2018	2017
	HK\$'000	HK\$'000
Unlisted available for sale investments		
At 1 April 2017 (1 April 2016)	117,109	158,828
Additions	1,622	692
Disposals	–	(24,056)
Return of capital	(176)	(20)
Transfer to level 2 <i>(Note)</i>	(105,537)	–
Gain on disposal	–	656
Total gains or losses:		
In other comprehensive income as change in fair value of available for sale investments of subsidiaries	84,600	(18,991)
At 31 March 2018 (31 March 2017)	97,618	117,109

Note: The Group's policy is to recognize transfer as at the end of the reporting period in which they occur.

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15. PROPERTY, PLANT & EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 31 March 2016	1,236	287	3,063	4,586
Additions	–	32	1,147	1,179
Disposals	–	–	(1,090)	(1,090)
Written-off	(940)	(81)	–	(1,021)
At 31 March 2017	296	238	3,120	3,654
Additions	4,777	16	643	5,436
Disposals	–	–	(1,168)	(1,168)
Written-off	–	(119)	–	(119)
At 31 March 2018	5,073	135	2,595	7,803
Accumulated depreciation				
At 31 March 2016	963	154	1,995	3,112
Charge for the year	43	28	270	341
Eliminated on disposals	–	–	(827)	(827)
Eliminated on written off	(752)	(62)	–	(814)
At 31 March 2017	254	120	1,438	1,812
Charge for the year	1,441	21	352	1,814
Eliminated on disposals	–	–	(721)	(721)
Eliminated on written off	–	(81)	–	(81)
At 31 March 2018	1,695	60	1,069	2,824
Net book value				
At 31 March 2018	3,378	75	1,526	4,979
At 31 March 2017	42	118	1,682	1,842

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

16. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	2018	2017
	HK\$'000	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. Rents 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, which is past due but not impaired, was as follows:

	2018	2017
	HK\$'000	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

The Group considered the above trade and rental debtors are fully recoverable. The Group has not made any provision for bad and doubtful debts for both years ended 31 March 2018 and 31 March 2017.

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17. FINANCIAL ASSETS AT FAIR VALUE

	2018	2017
	HK\$'000	HK\$'000
Listed shares, at market value		
Outside Hong Kong	1,326	1,349

All of the financial assets at fair value as at 31 March 2018 and 2017 were measured using quoted price (unadjusted) in active markets for identical financial instruments (level 1 inputs). They are derived from the current bid price of the listed shares at the reporting date.

18. CASH & BANK BALANCES

	2018	2017
	HK\$'000	HK\$'000
Cash at bank and in hand	59,602	96,759
Short-term bank deposits	138,507	375,714
Cash and cash equivalents	198,109	472,473

Bank balances of HK\$52,596,000 (2017: HK\$92,397,000) were charged by the lending banks to secure payment of bank loan interest.

The effective interest rate on short-term bank deposits was 2.21% p.a. (2017: 0.89% p.a.).

The cash and bank balances were denominated in the following currencies:

	2018	2017
	HK\$'000	HK\$'000
Hong Kong dollars	66,950	113,382
United States dollars	130,961	356,906
Others	198	2,185
	198,109	472,473

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19. SHARE CAPITAL

	Number of Shares of HK\$0.10 each	HK\$'000
Authorized		
At 31 March 2018 and 31 March 2017	2,000,000,000	200,000
Issued and fully paid		
At 31 March 2018 and 31 March 2017	1,154,038,656	115,404

20. CREDITORS & ACCRUALS

	2018 HK\$'000	2017 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 HK\$'000	2017 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

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21. SECURED BANK LOANS

	2018	2017
	HK\$'000	HK\$'000
Current		
Repayable within one year	1,015,804	863,500
Non-current		
Repayable more than one year but not exceeding two years	400,000	1,013,769
Repayable more than two years but not exceeding five years	863,500	400,000
	1,263,500	1,413,769

As at 31 March 2018 and 2017, all bank loans were denominated in Hong Kong dollars. The effective interest rate at the year end date was 2.15% p.a. (2017: 1.88% p.a.).

22. OBLIGATIONS UNDER FINANCE LEASE

	2018	2017
	HK\$'000	HK\$'000
Analysed for reporting purposes as:		
Current liabilities	320	1,018
Non-current liabilities	1,008	–
	1,328	1,018

It is the Group's policy to lease certain of its property, plant & equipment under finance lease. The average lease term is 3 to 5 years. Interest rates underlying the obligations under finance lease are fixed at respective contract date ranging from 2% to 3.7% per annum (2017: 2% per annum). As at 31 March 2018, the minimum lease payment and present value of minimum lease payment are approximately HK\$1,420,000 (2017: HK\$1,103,000) and HK\$1,328,000 (2017: HK\$1,018,000) respectively.

Notes to the Consolidated Financial Statements

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23. DEFERRED TAXATION

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The components of deferred tax balance recognized in the consolidated statement of financial position and movements thereon during the current and prior years are as follows:

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 31 March 2016	2,988	56,791	(5,748)	54,031
Charge to profit or loss	(75)	(5,347)	1,312	(4,110)
Reversal upon disposal of a subsidiary (note 25(b))	–	(2,418)	–	(2,418)
At 31 March 2017	2,913	49,026	(4,436)	47,503
At 31 March 2017	2,913	49,026	(4,436)	47,503
Charge to profit or loss	850	5,903	914	7,667
At 31 March 2018	3,763	54,929	(3,522)	55,170

At the end of the reporting period, the Group has unused tax losses of HK\$24,915,000 (2017: HK\$26,883,000) available for offsetting against future profits. The losses may be carried forward indefinitely. A deferred tax asset has been recognized in respect of HK\$21,348,000 (2017: HK\$26,883,000) of such losses.

Notes to the Consolidated Financial Statements

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24. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY FOR THE YEAR ENDED 31 MARCH 2017

On 18 October 2016, a wholly owned subsidiary of the Company entered into a share purchase agreement with independent third parties to acquire the entire issued share capital of Maxforte Investments Company Limited, an entity holding an investment property in Hong Kong for a consideration of HK\$651,997,000. This transaction was accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

Fair value of assets and liabilities recognized at the date of acquisition:

	<i>HK\$'000</i>
Net assets acquired:	
Investment property	652,000
Debtors, advances & prepayments	4,022
Cash & bank balances	6
Creditors & accruals	(3,857)
Tax liabilities	(174)
Net assets	651,997
Consideration	(651,997)
Net cash outflow arising on acquisition:	
Consideration paid in cash	651,997
Less: cash & bank balances acquired	(6)
	651,991

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25. DISPOSAL OF SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2017

- (a) On 9 May 2016, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with True Light Enterprises Limited, the purchaser, to sell the entire issued share capital and shareholder loan of Network Success Limited, an indirectly wholly owned subsidiary of the Company, with a consideration of HK\$68,700,000. The net assets of Network Success Limited, at the date of disposal were as follows:

	<i>HK\$'000</i>
Interests in an associate	64,020
Amount due from an associate	4,680
Creditors & accruals	(48)
<u>Net assets disposed of</u>	<u>68,652</u>
Consideration received, net of transaction cost	68,652
Net assets disposed of	(68,652)
Reclassification adjustment on exchange reserve of an associate upon disposal of a subsidiary	<u>2,061</u>
<u>Gain on disposal</u>	<u>2,061</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

25. DISPOSAL OF SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2017 (continued)

- (b) On 23 December 2016, an indirectly wholly owned subsidiary of the Company entered into a sale and purchase agreement with Famous Spirit Limited, the purchaser, to sell the entire issued share capital AEW VIA Cayman 4, Ltd., an indirectly wholly owned subsidiary of the Company that holds an investment property in Hong Kong, with a cash consideration of HK\$760,000,000 which includes assignment of shareholder loan of HK\$48,655,000. The net assets of AEW VIA Cayman 4, Ltd., at the date of disposal were as follows:

	HK\$'000
Investment property	780,109
Debtors, advances & prepayments	2,298
Cash & bank balances	947
Creditors & accruals	(8,762)
Tax liabilities	(568)
Bank loans	(240,000)
Amount due to immediate holding company	(48,655)
Deferred taxation	(2,418)
Net assets disposed of	482,951
Consideration received, net of transaction cost	693,850
Net assets disposed of	(482,951)
Gain on disposal	210,899
Net cash inflow arising on disposal:	
Cash consideration, net of transaction cost	693,850
Assignment of shareholder loan	48,655
Less: cash & bank balances disposed of	(947)
	741,558

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26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in accruals) HK\$'000	Secured bank loans HK\$'000	Obligations under finance lease HK\$'000	Total HK\$'000
At 1 April 2017	855	2,277,269	1,018	2,279,142
Bank loans raised	–	263,500	–	263,500
Repayment of the bank loans	–	(263,500)	–	(263,500)
Finance costs	44,342	6,012	57	50,411
Changes from financing cash flows:				
Finance lease principal repayment	–	–	(269)	(269)
Interest paid	(44,231)	–	(57)	(44,288)
Other finance cost paid	–	(3,977)	–	(3,977)
Other changes:				
New finance lease	–	–	579	579
At 31 March 2018	966	2,279,304	1,328	2,281,598

27. GUARANTEES & COMMITMENTS

	2018 HK\$'000	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	3,120	2,668
– later than one year and not later than five years	1,350	2,880
– for purchase of available for sale investments		
– not later than one year	3,060	4,488
– for acquisition of additional interest in an associate		
– not later than one year	–	459,444
	1,885,730	2,347,680

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28. OPERATING LEASE RECEIVABLE

At the year end date, the Group's total future minimum lease payments to be received under non-cancellable rental leases in respect of investment properties were as follows:

	2018 HK\$'000	2017 HK\$'000
Not later than one year	193,852	226,389
Later than one year but not later than five years	198,887	248,614
Over five years	–	83
	392,739	475,086

29. PLEDGE OF ASSETS

As 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 HK\$2,279 million (2017: HK\$2,277 million) of which all facilities have been fully utilized.

30. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

- (i) In January 2016, Gaw Capital Advisors Limited has entered into a lease agreement with our Group company to lease partial of 18th and 19th floors of 68 Yee Wo Street, Hong Kong for a term of three years from 1 July 2016 to 30 June 2019 at a monthly rental of HK\$752,584, excluding rates, government rent and management fee. Based on the terms of the lease agreement, a rental deposit of HK\$2,552,000 and rental income of HK\$8,278,000 for the year ended 31 March 2018 were received from Gaw Capital Advisors Limited. Gaw Capital Advisors Limited is owned and controlled by Mr. Goodwin Gaw, Mr. Kenneth Gaw and Ms. Christina Gaw, who are executive directors of the Company. Mr. Kenneth Gaw and Ms. Christina Gaw are also shareholders of the Company.

The above transaction constitutes a continuing connected transaction under Rule 14A.56 of the Listing Rules and the details of the transaction are discussed in the Directors' Report section page 15.

- (ii) In February 2018, Gaw Capital Asset Management (HK) Limited has entered into a lease agreement with our Group company to lease a unit in 10th floor of 68 Yee Wo Street, Hong Kong for a term of 17 months from 1 February 2018 to 30 June 2019 at a monthly rental of HK\$151,720, excluding rates, government rent and management fee. Based on the terms of lease agreement, a rental deposit of HK\$528,000 was received. Gaw Capital Asset Management (HK) Limited is owned and controlled by Mr. Goodwin Gaw, Mr. Kenneth Gaw and Ms. Christina Gaw, who are executive directors of the Company. Mr. Kenneth Gaw and Ms. Christina Gaw are also shareholders of the Company.
- (iii) During the year 2018, management fee amounting to approximately HK\$720,000 (2017: HK\$180,000) was paid to Gaw Capital Advisors Limited for sharing of staff and administrative expenses.

The transactions (ii) and (iii) above were exempted from announcement, reporting and shareholders' approval under the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

30. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	575	520
Salaries, allowances and benefits	9,851	9,203
Discretionary bonus	8,060	5,332
Pension scheme contributions	68	72
	18,554	15,127

31. 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 were set out in the Company's announcement dated 9 May 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT

(a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Financial assets at fair value	1,326	1,349
Loans and receivables (including cash and cash equivalents)	216,777	494,357
Available for sale investments	530,141	513,740
	748,244	1,009,446
Financial liabilities		
Amortized cost		
Secured bank loans	2,279,304	2,277,269
Trade and other payables	5,359	3,318
	2,284,663	2,280,587

The Group's principal financial instruments comprise secured bank loans and cash and short-term deposits and available for sale investments. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

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. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT *(continued)*

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings and short-term bank deposits with a floating interest rate. The interest rates and terms of repayment of the Group's bank borrowings are disclosed in note 21 to the financial statements.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before taxation (through the impact on floating rate borrowings and floating rate bank deposits) and the Group's equity.

	Change in basis points	Change in profit before taxation HK\$'000	Change in equity HK\$'000
2018			
Bank borrowings	100	22,793	19,032
Short-term bank deposits	100	1,385	1,370
2017			
Bank borrowings	100	22,773	19,015
Short-term bank deposits	100	3,757	3,757

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT *(continued)*

(c) Foreign currency risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollars or United States dollars. As Hong Kong dollars are pegged to United States dollars, the management considers that the foreign currency risk to the Group is not significant.

The Group's exposure to foreign currency risk is primarily through its investment in available for sale investments and financial assets at fair value which are denominated in Thai baht, Malaysian ringgit, Euro and Canadian dollars. The following table demonstrates the sensitivity at the year end date to a reasonable possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before taxation and the Group's equity.

	Change in exchange rate %	Change in profit before taxation HK\$'000	Change in equity HK\$'000
At 31 March 2018			
Available for sale investments and financial assets at fair value			
Thai baht	5%	66	5,349
Malaysian ringgit	5%	–	5,277
Euro	5%	–	6
Canadian dollars	5%	–	97
 At 31 March 2017			
Available for sale investments and financial assets at fair value			
Thai baht	5%	67	82
Singapore dollar	5%	–	19
Malaysian ringgit	5%	–	2,552
Euro	5%	–	14
Canadian dollars	5%	–	95

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT (continued)

(d) Credit risk

The Group's exposure to credit risk is mainly attributable to bank deposits and investments. Bank deposits are placed with high-quality financial institutions with good credit ratings. Investments are those listed securities and investment funds of counterparties that have high credit standing, the equity share price movements are closely monitored by the management.

The Group is also exposed to counterparties credit risk from its operating activities, primarily attributable to rental income. The directors of the Company believe that our tenants are having high credit quality and the Group has policy in place to ensure that the properties are rented to tenants with an appropriate credit history. The Group has no concentration of credit risk and had no significant outstanding balances due by tenants at the reporting date. Accordingly, the overall credit risk is considered minimal.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities.

The maturity profile of the Group's financial liabilities as at the year end date, based on the contracted undiscounted payments, was as follows:

At 31 March 2018

	Weighted average interest rate %	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
Secured bank loans	2.15	1,064,551	424,156	868,313	2,357,020
Obligations under finance lease	2.67	373	373	674	1,420
Trade and other payables	-	5,359	-	-	5,359
		1,070,283	424,529	868,987	2,363,799

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT (continued)

(e) Liquidity risk (continued)

At 31 March 2017

	Weighted average interest rate %	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
Secured bank loans	1.88	893,475	1,041,661	405,647	2,340,783
Obligations under finance lease	2.00	260	260	583	1,103
Trade and other payables	–	3,318	–	–	3,318
		897,053	1,041,921	406,230	2,345,204

(f) Equity price risk

The Group is exposed to equity price risk arising from individual investments classified as available for sale investments (note 14) and financial assets at fair value (note 17) as at 31 March 2018. The Group's listed investments are valued at quoted market prices at the year end date.

The following table demonstrates the sensitivity to every 5% change in fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the year end date. For the purpose of this analysis, the impact for the available for sale investments is deemed to be on the available for sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of profit or loss.

	Carrying amount of investments HK\$'000	Change in profit before taxation HK\$'000	Change in equity HK\$'000
At 31 March 2018			
Listed investments:			
Available for sale investments	254,376	–	12,719
Financial assets at fair value	1,326	66	55
Unlisted investment:			
Available for sale investments	203,155	–	10,158
At 31 March 2017			
Listed investments:			
Available for sale investments	225,635	–	11,282
Financial assets at fair value	1,349	67	56
Unlisted investment:			
Available for sale investments	117,109	–	5,855

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. FINANCIAL RISKS MANAGEMENT *(continued)*

(g) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total assets. Net debt includes interest bearing bank borrowings less cash and bank balances. The gearing ratios as at the year end dates were as follows:

	2018	2017
	HK\$'000	HK\$'000
Interest bearing bank borrowings	2,279,304	2,277,269
Less: Cash and bank balances	(198,109)	(472,473)
Net debt	2,081,195	1,804,796
Total assets	10,030,181	9,225,292
Gearing ratio	20.7%	19.6%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	At 31 March 2018 HK\$'000	At 31 March 2017 HK\$'000
ASSETS		
Non-current assets		
Subsidiary companies	1,555,005	1,536,041
Associates	41,116	41,116
Available for sale investments	224	3,945
	1,596,345	1,581,102
Current assets		
Debtors, advances & prepayments	136	155
Cash & bank balances	305	1,483
Tax assets	292	292
	733	1,930
Total assets	1,597,078	1,583,032
EQUITY		
Share capital	115,404	115,404
Reserves	1,477,883	1,466,971
Total equity	1,593,287	1,582,375
LIABILITIES		
Current liabilities		
Creditors & accruals	3,791	657
Total liabilities	3,791	657
Total equity and liabilities	1,597,078	1,583,032

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 21 June 2018 and are signed on its behalf by:

Kenneth Gaw
Director

Alan Kam Hung Lee
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves Movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
At 31 March 2017	547,748	381,051	538,772	(600)	1,466,971
Profit for the year	-	-	62,661	-	62,661
2017 final dividend paid	-	-	(34,621)	-	(34,621)
2018 interim dividend paid	-	-	(17,311)	-	(17,311)
Revaluation of available for sale investments	-	-	-	183	183
At 31 March 2018	547,748	381,051	549,501	(417)	1,477,883
At 31 March 2016	547,748	381,051	439,569	(1,405)	1,366,963
Profit for the year	-	-	147,673	-	147,673
2016 final dividend paid	-	-	(32,313)	-	(32,313)
2017 interim dividend paid	-	-	(16,157)	-	(16,157)
Revaluation of available for sale investments	-	-	-	805	805
At 31 March 2017	547,748	381,051	538,772	(600)	1,466,971

The reserves of the Company available for distribution to shareholders as at the reporting date calculated in accordance with the Bermuda Companies Act, amounted to HK\$930,552,000 (2017: HK\$919,823,000), being the contributed surplus and retained earnings at that date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

34. SUBSIDIARY COMPANIES

	2018	2017
	HK\$'000	HK\$'000
Unlisted shares, at cost	421,933	421,933
Amounts due by subsidiaries	1,139,311	1,120,347
Provision for impairment	(6,239)	(6,239)
	1,555,005	1,536,041

The amounts due by subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The directors of the Company consider that the amounts due by subsidiaries as at the end of the reporting period form part of the net investments in the relevant subsidiaries.

Particulars of the Group's major subsidiaries at 31 March 2018 are set out in note 35.

The following table presents the information relating to Causeway Bay 68 Limited, the subsidiary of the Group which has material non-controlling interest ("NCI"). The following summarized consolidated financial information represents the amounts before any inter-company elimination.

	2018	2017
	HK\$'000	HK\$'000
Percentage of NCI	40%	40%
Current assets	64,245	105,385
Non-current assets	3,380,000	3,180,000
Current liabilities	(1,029,177)	(12,936)
Non-current liabilities	(51,865)	(1,066,501)
Net assets	2,363,203	2,205,948
Carrying value of NCI in the consolidated financial statements	945,281	882,379
Revenue	127,254	128,745
Profit for the year	262,255	241,494
Total comprehensive income	262,255	241,494
Profit allocated to NCI	104,902	96,598
Dividends paid to NCI	(42,000)	(20,000)
Cash generated from operating activities	91,217	94,533
Cash used in investing activities	(4,549)	(7,826)
Cash used in financing activities	(126,469)	(70,629)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. PARTICULARS OF MAJOR SUBSIDIARIES

Particulars of the major subsidiaries of Group as at 31 March 2018 and 2017 are as follows:

Name of company	Main activity	Place of incorporation	Place of operations	Particulars of issued and paid up capital	Percentage of equity held 2018	Percentage of equity held 2017
All Success Holdings Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	100
Anpona Investments Limited	Investment	Hong Kong	Hong Kong	HK\$10,000	100	100
Best Date Investments Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	100
Bright Grand Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	100
Brilliant Valley Investment Limited	Investment	Liberia	Hong Kong	Nil	100	100
Causeway Bay 68 Limited	Investment	British Virgin Islands	Hong Kong	US\$1,000	60	60
Chance Advance Limited	Investment	British Virgin Islands	Hong Kong	US\$1,000	100	100
Charm Victory Investment Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	-
Dynamic Business Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	100
Forerunner Investments Limited	Investment	Hong Kong	Hong Kong	HK\$3,000,000	65	65
Glory East Limited	Real Estate	Liberia	Hong Kong	Nil	100	100
Golden Mile Limited	Real Estate	Liberia	Hong Kong	Nil	100	100
Honesty Properties Limited	Real Estate	Hong Kong	Hong Kong	HK\$1	100	100
Kind Regent Holdings Limited	Investment	British Virgin Islands	Hong Kong	US\$1	100	100
Master Yield Limited	Investment	British Virgin Islands	Hong Kong	Nil	100	100
Maxforte Investments Company Limited	Real Estate	Hong Kong	Hong Kong	HK\$24	100	100
Pine International Limited	Investment	British Virgin Islands	Hong Kong	HK\$1	100	100
Pioneer Estates Limited	Real Estate	Hong Kong	Hong Kong	HK\$1,000	100	100

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. PARTICULARS OF MAJOR SUBSIDIARIES (continued)

Name of company	Main activity	Place of incorporation	Place of operations	Particulars of issued and paid up capital	Percentage of equity held 2018	Percentage of equity held 2017
Pioneer Industries (Holdings) Limited	Investment	Hong Kong	Hong Kong	HK\$75,873,257	100	100
Treasure Spot Investments Limited	Real Estate	British Virgin Islands	Hong Kong	US\$1	60	60
Uniever Link Limited	Investment	British Virgin Islands	Hong Kong	US\$1	100	100
Win Plus Development Ltd.	Investment	British Virgin Islands	Hong Kong	Nil	100	100

36. PARTICULARS OF MAJOR ASSOCIATES

Particulars of the major associates of the Group as at 31 March 2018 and 2017 are as follows:

Name of company	Place of incorporation	Investment by associates	Group's effective interest in		Issued and paid up share capital
			investment	associates	
Keencity Properties Limited	British Virgin Islands	Investment	49.5% (2017: 49.5%)	49.5% (2017: 49.5%)	US\$9,939,020
Pioneer Hospitality Siam (GBR) Limited	Thailand	Pullman Pattaya Hotel G, Thailand	49.5% (2017: 49.5%)	49.5% (2017: 49.5%)	Baht 300,000,000
Royal Culture Limited	Hong Kong	Pullman Bangkok Hotel G, Thailand	49.5% (2017: 49.5%)	49.5% (2017: 49.5%)	HK\$1
Strand Hotels International Limited	British Virgin Islands	Three hotels in Myanmar (Note)	21.6% (2017: 21.6%)	43.2% (2017: 43.2%)	US\$11,101,191
Supreme Key Limited	British Virgin Islands	InterContinental Hong Kong	30.0% (2017: 10%)	30.0% (2017: 10%)	US\$10

Note: Strand Hotels International Limited holds 50% equity interest in the three hotels in Myanmar.

Schedule of the Group's Properties

The following is a list of properties held for investment as at 31 March 2018:

Location/Lot No.	Type of property	Lease term	Group's effective interest	Gross Area
1. Pioneer Place (formerly known as Pioneer Building) 33 Hoi Yuen Road, Kwun Tong, Kowloon Kwun Tong Inland Lot No. 294	Commercial	Medium-term	100%	245,678 ft ²
2. 1st Floor, Fu Hop Factory Building Nos. 209 & 211 Wai Yip Street, Kwun Tong, Hong Kong 8/112 shares of and in Kwun Tong Inland Lot No. 293	Industrial	Medium-term	100%	11,100 ft ²
3. Club Lusitano No. 16 Ice Street, Central, Hong Kong Remaining portion of Inland Lot No. 339	Commercial	Long-term	100%	80,100 ft ²
4. 68 Yee Wo Street Building No. 68 Yee Wo Street, Causeway Bay, Hong Kong The whole of Section K of Inland Lot No. 1408	Commercial	Long-term	60%	229,200 ft ²
5. The Whole of LG/F., G/F., 1/F., and 2/F., Kiu Fat Building, Nos. 115-119 Queen's Road West, Hong Kong Remaining portion of Marine Lot No. 58	Commercial	Long-term	100%	56,740 ft ²
6. Apartments A and B on 19th Floor, Wah Tai Mansion, No. 388 Zhao Jia Bang Road, Shanghai, People's Republic of China	Residential	Medium-term	100%	5,248 ft ²

Five Years Financial Summary

	2014	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	177,569	212,105	258,712	295,049	264,576
Profit attributable to shareholders	477,449	804,243	365,553	805,189	623,498
Dividend paid during the year	43,853	47,315	48,470	48,470	51,932
Earnings per share (HK cents)	41.37	69.69	31.68	69.77	54.03
FINANCIAL POSITION					
Total assets	6,428,120	7,485,708	8,164,362	9,225,292	10,030,181
Total liabilities	(1,633,585)	(1,857,649)	(2,204,599)	(2,413,659)	(2,425,896)
	4,794,535	5,628,059	5,959,763	6,811,633	7,604,285
Capital and reserves					
Share capital	115,404	115,404	115,404	115,404	115,404
Reserves	3,937,943	4,711,379	5,013,572	5,795,804	6,506,497
Shareholders' funds	4,053,347	4,826,783	5,128,976	5,911,208	6,621,901
Non-controlling interests	741,188	801,276	830,787	900,425	982,384
	4,794,535	5,628,059	5,959,763	6,811,633	7,604,285
	HK cents				
Net asset value per share (Note 1)	351.2	418.3	444.4	512.2	573.8
Total debt to total assets (Note 2)	23.7%	23.2%	25.3%	24.7%	22.7%

Note 1: Net asset value per share is arrived at using shareholders' fund divided by number of issued shares at year end.

Note 2: Total debt to total assets is arrived at using interest-bearing borrowings divided by total assets.

