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Pioneer

PIONEER GLOBAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00224)

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2019**

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$' 000	HK\$' 000
Revenue			
Company and subsidiaries		148,834	146,053
Share of associates (<i>Note</i>)		183,855	195,260
		<u>332,689</u>	<u>341,313</u>
Revenue of Company and subsidiaries	4	<u>148,834</u>	<u>146,053</u>
Properties operating expenses		(19,565)	(19,930)
Staff costs		(7,859)	(7,258)
Depreciation		(407)	(498)
Other expenses		(2,537)	(2,173)
		<u>(30,368)</u>	<u>(29,859)</u>

	<i>Notes</i>	For the six months ended	
		2019	2018
		(Unaudited)	(Unaudited)
		HK\$' 000	HK\$' 000
Operating profit	3	118,466	116,194
Share of results of associates		(43,626)	65,612
Change in fair value of investment properties		90,019	203,757
Change in fair value of investments in equity instruments at fair value through profit or loss ("FVTPL")		(7,076)	–
Other gains and losses		398	(13)
Finance costs		(33,222)	(32,272)
Profit before taxation	5	124,959	353,278
Taxation			
Current	6	(8,609)	(8,227)
Deferred	6	(4,198)	(4,697)
Profit for the period		112,152	340,354
Profit attributable to:			
Shareholders of the Company		83,128	279,643
Non-controlling interests		29,024	60,711
		112,152	340,354
Interim dividend	7	17,311	17,311
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8	7.20	24.23

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the six months ended
30 September**

2019	2018
(Unaudited)	(Unaudited)
HK\$' 000	HK\$' 000

Profit for the period	<u>112,152</u>	<u>340,354</u>
Other comprehensive (expense)/income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income ("FVTOCI")	(20,426)	(27,012)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of investments in debt instruments at FVTOCI	(352)	(28)
Exchange difference on translation of associates	<u>13,671</u>	<u>(12,437)</u>
	<u>(7,107)</u>	<u>(39,477)</u>
Total comprehensive income for the period	<u>105,045</u>	<u>300,877</u>
Total comprehensive income attributable to:		
Shareholders of the Company	76,021	240,166
Non-controlling interests	<u>29,024</u>	<u>60,711</u>
	<u>105,045</u>	<u>300,877</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 September 2019 (Unaudited) HK\$' 000	At 31 March 2019 (Audited) HK\$' 000
ASSETS			
Non-current assets			
Investment properties		7,620,000	7,525,000
Associates		2,303,119	2,337,377
Debt instruments at FVTOCI		1,939	1,907
Equity instruments designated at FVTOCI		252,824	273,267
Equity instruments at FVTPL		126,105	81,301
Property, plant & equipment		3,669	4,004
Other assets		300	300
		10,307,956	10,223,156
Current assets			
Debtors, advances & prepayments	9	21,488	20,507
Debt instruments at FVTOCI		3,306	71,134
Tax assets		292	1,893
Cash & bank balances		386,376	287,453
		411,462	380,987
Total assets		10,719,418	10,604,143
EQUITY			
Share capital		115,404	115,404
Reserves		7,056,034	6,980,013
		7,171,438	7,095,417
Shareholders' funds		7,171,438	7,095,417
Non-controlling interests		1,095,756	1,066,732
		8,267,194	8,162,149
Total equity		8,267,194	8,162,149

		At 30 September 2019 (Unaudited) HK\$' 000	At 31 March 2019 (Audited) HK\$' 000
LIABILITIES			
Non-current liabilities			
Creditors & accruals	<i>10</i>	47,116	49,066
Secured bank loans		1,017,500	1,881,000
Obligations under finance lease		192	664
Deferred taxation		68,008	63,810
		<hr/> 1,132,816 <hr/>	<hr/> 1,994,540 <hr/>
Current liabilities			
Creditors & accruals	<i>10</i>	46,268	44,518
Secured bank loans		1,263,500	400,000
Obligations under finance lease		647	343
Tax liabilities		8,993	2,593
		<hr/> 1,319,408 <hr/>	<hr/> 447,454 <hr/>
Total liabilities		<hr/> 2,452,224 <hr/>	<hr/> 2,441,994 <hr/>
Total equity and liabilities		<hr/> 10,719,418 <hr/>	<hr/> 10,604,143 <hr/>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 March 2019, except for the changes in accounting policies resulting from application of new and amendments to HKFRSs issued by the HKICPA set out below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s unaudited interim financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The directors of the Company have assessed the impact of the application of HKFRS 16 and concluded that there is no material impact on the unaudited condensed consolidated financial statements of the Group in the reporting period.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

3. SEGMENT INFORMATION

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

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

Segment Result

For the six months ended 30 September 2019 (30 September 2018)

	Property and hotels		Investments and others		Consolidated	
	2019	2018	2019	2018	2019	2018
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Segment revenue						
Company and subsidiaries	138,658	135,191	10,176	10,862	148,834	146,053
Segment result	108,961	105,824	9,776	10,499	118,737	116,323
Unallocated corporate expenses					(271)	(129)
Operating profit					118,466	116,194
Share of results of associates	(43,626)	65,612	–	–	(43,626)	65,612
Change in fair value of investment properties	90,019	203,757	–	–	90,019	203,757
Change in fair value of investments in equity instruments at FVTPL	(7,076)	–	–	–	(7,076)	–
Other gains and losses	–	–	398	(13)	398	(13)
Finance costs					(33,222)	(32,272)
Profit before taxation					124,959	353,278

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

Segment Assets and Liabilities

As at 30 September 2019 (31 March 2019)

	Property and hotels		Investments and others		Consolidated	
	September 2019 HK\$' 000	March 2019 HK\$' 000	September 2019 HK\$' 000	March 2019 HK\$' 000	September 2019 HK\$' 000	March 2019 HK\$' 000
Segment assets	7,982,387	7,806,109	433,912	460,657	8,416,299	8,266,766
Investment in associates	2,303,119	2,337,377	–	–	2,303,119	2,337,377
Consolidated total assets					<u>10,719,418</u>	<u>10,604,143</u>
Segment liabilities	(2,449,379)	(2,439,791)	(1,755)	(920)	(2,451,134)	(2,440,711)
Unallocated corporate liabilities					<u>(1,090)</u>	<u>(1,283)</u>
Consolidated total liabilities					<u>(2,452,224)</u>	<u>(2,441,994)</u>

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

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

Geographical Segments

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

For the six months ended 30 September 2019 (30 September 2018)

Segment revenue

	September 2019 HK\$' 000	September 2018 HK\$' 000
Hong Kong	146,097	142,950
Overseas	2,737	3,103
	<u>148,834</u>	<u>146,053</u>

As at 30 September 2019 (31 March 2019)

Segment assets

	September 2019 HK\$' 000	March 2019 HK\$' 000
Hong Kong	8,167,908	7,945,911
Overseas	248,391	320,855
	<u>8,416,299</u>	<u>8,266,766</u>

4. REVENUE

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Revenue from contracts with customers within the scope of HKFRS 15		
Property expenses recovery from tenants <i>(Note)</i>	22,027	21,059
Revenue from other sources		
Rental income from property leasing	116,630	114,132
Dividend income	5,650	6,585
Interest income		
– financial assets at amortized cost	3,503	3,253
– debt instruments at FVTOCI	1,024	1,024
	<u>148,834</u>	<u>146,053</u>

Note: The Group provides property management services to tenants. Such income is recognized over time.

5. PROFIT BEFORE TAXATION

	2019 HK\$' 000	2018 HK\$' 000
Profit before taxation has been arrived at after charging:		
Interest on bank loans wholly repayable within five years	33,204	31,226
Staff costs (including directors' remuneration)		
– Salaries, wages and other benefits	6,177	5,587
– Minimum lease payment for Directors' quarters	1,560	1,560
– Pension scheme contributions	122	111
Auditor's remuneration	282	269
Depreciation	407	498
Exchange loss	2	10
and after crediting:		
Rental income from property leasing	116,630	114,132
Add: other income	3,016	1,494
Listed investment income	5,112	6,576
Unlisted investment income	538	9
Interest income	4,527	4,277

6. TAXATION

	2019			2018		
	Current taxation HK\$' 000	Deferred taxation HK\$' 000	Total HK\$' 000	Current taxation HK\$' 000	Deferred taxation HK\$' 000	Total HK\$' 000
The Company and its subsidiaries						
– Hong Kong	8,609	4,198	12,807	8,227	4,197	12,424
– Overseas	–	–	–	–	500	500
	<u>8,609</u>	<u>4,198</u>	<u>12,807</u>	<u>8,227</u>	<u>4,697</u>	<u>12,924</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated Hong Kong source assessable profits for the period. Overseas tax has been provided at the applicable rates in the countries in which the tax is levied.

7. INTERIM DIVIDEND

The Board of Directors declares an interim dividend of HK1.50 cents (2018: HK1.50 cents) per ordinary share, totaling HK\$17,311,000 for the six months ended 30 September 2019 (2018: HK\$17,311,000) to shareholders whose names appear on the register of members of the Company at the close of business on 20 December 2019. This amount is not included as a liability in these interim financial statements.

8. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to ordinary shareholders of the Company amounting to HK\$83,128,000 (2018: HK\$279,643,000) and on 1,154,038,656 shares (2018: 1,154,038,656 shares) in issue during the period.

No diluted earnings per share have been presented for the periods ended 30 September 2019 and 30 September 2018 as the Company had no dilutive potential ordinary shares during both periods.

9. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	30 September 2019 HK\$' 000	31 March 2019 HK\$' 000
Deferred rental receivables	6,242	9,928
Other deposits and prepayments	8,155	5,940
Trade and rental debtors	7,091	4,639
	<u>21,488</u>	<u>20,507</u>

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

At the reporting date, the aging analysis of the trade and rental debtors based on the date of invoices and which are past due but not impaired was as follows:

	30 September 2019 HK\$' 000	31 March 2019 HK\$' 000
0 – 30 days	6,152	4,367
31 – 60 days	866	111
61 – 90 days	58	60
> 90 days	15	101
	<u>7,091</u>	<u>4,639</u>

10. CREDITORS & ACCRUALS

	30 September 2019 HK\$' 000	31 March 2019 HK\$' 000
Creditors and accruals (due within one year)		
Rental deposits received	26,590	24,657
Accruals	14,114	13,846
Trade payables	5,564	6,015
	46,268	44,518
Creditors and accruals (due more than one year)		
Rental deposits received	47,116	49,066
	93,384	93,584

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

	30 September 2019 HK\$' 000	31 March 2019 HK\$' 000
0 – 30 days	4,361	5,364
31 – 60 days	491	319
61 – 90 days	263	153
> 90 days	449	179
	5,564	6,015

BUSINESS REVIEW

Since June 2019, Hong Kong has been rocked by sometimes large scale public protests on the now withdrawn extradition law. However, even after the complete withdrawal of the extradition bill (which sparked the protests initially), the protests have continued and have been increasingly violent, with no ending in sight. While hotels and retail/restaurant businesses in prime tourist areas have been hit hard, other real estate sectors in Hong Kong, such as office and community malls, have so far been fairly resilient. And after the policy address in early mid-October relaxed mortgage lending ratios, the residential market even registered a surge in both price and volume.

It has been a challenging year for Thailand's tourism market in 2019, with both a surge in new supply and a slowdown in arrivals from its key Chinese market. While Thailand is still China's largest outbound destination, travels by Mainland Chinese to Thailand declined by 3.3% in the first six months of 2019, compared to double digit growth for both Japan and South Korea. As a result, both occupancy and average room rates dropped during the period for the Thai hotel industry. Out of the key Thai destinations, Pattaya and Bangkok (the two markets where the Group has presence) fared the best in terms of demand growth during the first eight months of 2019, with Pattaya and Bangkok registering a demand growth of 1.3% and -0.3% respectively, compared to -4.0% to -7.7% for the other key destinations.

During the six months period ended 30 September 2019, total revenue for the Group including share of associates was HK\$332.7 million, declining slightly by 2.5% from HK\$341.3 million during the same period in 2018. The drop was due to the sharp decline in revenues during August and September at the InterContinental Hong Kong as a result of the public protests in the territory. Operating profit sustained a slight increase to HK\$118.5 million, from HK\$116.2 million during the same period in 2018, as a result of the continued strong occupancy at the Group's investment properties. On the other hand, share of profits of associates suffered a loss of HK\$43.6 million mainly due to a decrease in fair value at the InterContinental Hong Kong, compared to a gain of HK\$65.6 million in 2018. Due to a slowdown in the Hong Kong economy, fair value increase in investment properties was only HK\$90.0 million, lower than the HK\$203.8 million gain in 2018. Finance costs during the period maintained largely flat at HK\$33.2 million, compared to HK\$32.3 million in 2018. The Group's net profit was HK\$112.2 million (2018: HK\$340.4 million), while net profit attributable to shareholders was HK\$83.1 million (2018: HK\$279.6 million). The decrease in net profit was the result of lower fair value increase in investment properties and the decline in fair market value for the InterContinental Hong Kong.

Property Investments (Hong Kong and Asia)

At 30 September 2019, the Group's investment property Pioneer Place (245,678 sq. ft.) in Kwun Tong, Hong Kong continued to enjoy a high occupancy rate of 93%. For this interim period, Pioneer Place contributed rental and related revenues of HK\$32.7 million and a fair value increase of HK\$30.0 million.

The Group owns 60% in the 68 Yee Wo Street Building (229,200 sq. ft.) in Causeway Bay, Hong Kong. During the period, the Chinese restaurant (that has been a tenant here since 2010) that occupied most of the 1/F of the building had to close down due to losses suffered from business disruptions by the protest movements. This caused the occupancy of the building to drop from 100% to 94%. For the six months period ended 30 September 2019, the property contributed rental and related revenues of HK\$70.2 million and a fair value increase of HK\$36.2 million.

On the other hand, the Club Lusitano Building (80,100 sq. ft.) in Central, Hong Kong has continued to perform strongly, with an occupancy rate of 96% and increasing rental rates. For the period ended 30 September 2019, the property contributed HK\$29.6 million in rental and related revenues and HK\$21.8 million in fair value increase to the Group.

The lower and upper ground floor portions of the 56,740 sq. ft. commercial podium of Kiu Fat Building (115-119 Queen's Road West) in Sai Ying Pun, Hong Kong are still vacant, pending various negotiations with new tenants. The leasing environment at this property has been challenging due to the current market conditions, leading to a lower occupancy of 54%. For the reporting period, the property contributed HK\$5.2 million in rental and related revenues and no fair value increase to the Group.

For the interim period, the Group invested HK\$51.9 million (with a commitment of up to HK\$55.0 million including future capital requirements) in a consortium to acquire the Cityplaza Three (half block) and Cityplaza Four in Tai Koo Shing, Hong Kong. The two adjacent buildings have a total GFA of 792,780 sq. ft. and the acquisition price of HK\$15.0 billion represents a unit price of HK\$18,921 per sq. ft. The Group's investment constituted a 0.9% effective stake in the properties. The buildings enjoy full seaview from the Island East area of Hong Kong Island, and we believe the unit price of the acquisition is attractive. In addition, we believe that the newly opened Central-Wan Chai Bypass link to the Island Eastern Corridor has substantially improved the connectivity of Island East district to Central CBD, hence the district is poised to enjoy strong upward reversion in rental rates going forward. As at the end of the reporting period, the properties has an occupancy of 98%.

The Group has investments in Shanghai K. Wah Centre (7.7%) and Ciro's Plaza (4.0%), both of which are located in Shanghai, China. During the interim period, the properties had occupancies of 95% and 88% respectively in September 2019.

Since February 2019, the Group has also invested in an effective stake of 5.1% through an associate company in three adjacent commercial buildings in Tokyo, Japan. The three buildings are the Aoyama Building (400,594 sq. ft.), Mihashi Building (5,419 sq. ft.), and Clover Aoyama Building (9,250 sq. ft.) on Aoyama Dori next to the Akasaka Palace grounds and with a prime location on top of three subway lines. As at 30 September 2019, the three buildings have occupancy rates of 95%, 79%, and 90% respectively and the associate company has recorded an increase of fair value of HK\$46.7 million.

Hotel Investments (Hong Kong and Thailand)

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

Currently, the Group owns 30% in InterContinental Hong Kong and accounts for it as an associate company. 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. As reported previously, the joint venture is continuing to work on plans to completely upgrade the hotel's guest rooms and facilities, with renovation works now expected to commence in 2021. Upon completion of the renovations, the hotel will be relaunched under the "Regent Hotel" brand and continued to be under the management of InterContinental Hotel Group. For the interim period ended 30 September 2019, the hotel generated revenues of HK\$433.6 million (2018: HK\$484.7 million) and operating profit of HK\$88.6 million (2018: HK\$127.9 million), with an average occupancy rate of 76%. Like all hotels in Hong Kong, the InterContinental Hong Kong was affected by the protests movement that started in June, and suffered substantially lower occupancy and room rates during the months of August and September after the protests turned violent.

For the six month period ended 30 September 2019, the Pullman Bangkok Hotel G (owned by the Group's 49.5% owned associate company) had revenues of Baht 263.0 million (HK\$66.5 million equivalent) (2018: Baht 258.2 million, HK\$61.5 million equivalent) and operating profit of Baht 87.3 million (HK\$22.1 million equivalent) (2018: Baht 78.9 million, HK\$18.8 million equivalent), with an average occupancy of 81%.

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 166.9 million (HK\$42.2 million equivalent) (2018: Baht 164.6 million, HK\$39.2 million equivalent) and operating profit of Baht 51.7 million (HK\$13.1 million equivalent) (2018: Baht 50.9 million, HK\$12.1 million equivalent), with an average occupancy rate of 77%.

PROSPECTS

Up until the protest movements in Hong Kong starting in June, most of the Group's major investment properties (with the exception of Kiu Fat Building which is undergoing repositioning) and hotels have been enjoying high occupancy as well as stable or growing income. However, as of the time of this report, the protests have continued and have become increasingly violent. With tourism and MICE business hit hard, the occupancy and room rates at our InterContinental Hong Kong has suffered since August after the protests turned violent, and we expect the tough times to continue for the foreseeable future. While occupancy and rental rates for our office portfolio have been largely stable thus far, there are risks that the office market will also be negatively affected if the protest movements continue unabated.

The Group has maintained a strong balance sheet, with substantial liquidity position and low debt ratio (interest cover of 357% and total liabilities/total asset ratio of 23%). Hence despite the negative sentiments, we are confident that the Group will be able to weather the current volatile political and market conditions, and shall be in a position to take advantage should a price correction occur.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to enjoy a strong and healthy financial position. As at 30 September 2019, the Group had cash and bank balances amounting to HK\$386.4 million (31 March 2019: HK\$287.5 million) together with an undrawn standby banking facility of HK\$50.0 million.

As at 30 September 2019, the total bank borrowings of the Group were HK\$2,281.0 million (31 March 2019: HK\$2,281.0 million), including a bank loan of Kiu Fat Building Podium of HK\$400.0 million due on 27 February 2020 to be refinanced. The Group's total debts to total assets ratio was 21.3% (31 March 2019: 21.5%) and net debt to total assets ratio was 17.7% (31 March 2019: 18.8%).

There is no foreign currency risk to the Group's financial liabilities as they are all denominated in Hong Kong dollars. However, the Group has investments in associates operating in Thailand, PRC and Japan with carrying amounts of HK\$407.9 million, HK\$219.8 million and HK\$139.6 million equivalents respectively as at 30 September 2019 (31 March 2019: HK\$389.6 million, HK\$212.7 million and HK\$92.5 million equivalents respectively). The management will closely monitor the currency market and take any necessary measures to reduce the exposure.

Bank Loan Interest Rate Hedging

In June 2019, the Group entered into an interest rate swap for all bank borrowings. The interest rate is subsequently fixed at 2.9% per annum for a period of 24 months.

Pledge of Assets

As at 30 September 2019, investment properties with a carrying value of HK\$7,543.0 million (31 March 2019: HK\$7,450.0 million) were pledged to secure bank loan facilities to the extent of HK\$2,281.0 million (31 March 2019: HK\$2,281.0 million) of which all facilities have been fully utilized.

Contingent Liabilities

As at 30 September 2019, the Group had guarantees HK\$1,879.8 million (31 March 2019: HK\$1,879.8 million) given to bank in respect of banking facilities utilized by subsidiaries.

EMPLOYEES

As at 30 September 2019, the number of salaried staff at the holding company level was 18 (31 March 2019: 17). 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.

INTERIM DIVIDEND

The Board of Directors recommends the payment of an interim dividend for the six months ended 30 September 2019 at the rate of HK1.50 cents per share (2018: HK1.50 cents), payable on 21 January 2020 to all persons registered as shareholders on 20 December 2019. The transfer books and register of members of the Company will be closed from 18 December 2019 to 20 December 2019 both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 December 2019.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 September 2019, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive directors, including Dr. Charles Wai Bun Cheung, JP, Mr. Stephen Tan and Mr. Arnold Tin Chee Ip. The Committee has reviewed and recommended for board approval of the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2019.

By Order of the Board
Pioneer Global Group Limited
Kenneth Gaw
Managing Director

Hong Kong, 21 November 2019

As at the date of this announcement, the executive directors of the Company are Mrs. Rossana Wang Gaw, Mr. Goodwin Gaw, Mr. Kenneth Gaw, Ms. Christina Gaw and Mr. Alan Kam Hung Lee and the independent non-executive directors of the Company are Dr. Charles Wai Bun Cheung, JP, Mr. Stephen Tan and Mr. Arnold Tin Chee Ip.