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Pioneer

PIONEER GLOBAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00224)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended	
		31 March	
	<i>Notes</i>	2020	2019
		HK\$' 000	HK\$' 000
Revenue			
Company and subsidiaries		295,756	290,933
Share of associates (<i>Note</i>)		319,850	452,183
		<u>615,606</u>	<u>743,116</u>
Revenue of Company and subsidiaries	<i>3, 4</i>	295,756	290,933
Properties operating expenses		(43,375)	(42,593)
Staff costs		(23,828)	(22,643)
Depreciation		(815)	(998)
Other expenses		(4,475)	(4,186)
		<u>(72,493)</u>	<u>(70,420)</u>

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

		For the year ended	
		31 March	
		2020	2019
	<i>Notes</i>	HK\$' 000	HK\$' 000
Operating profit	3	223,263	220,513
Share of results of associates		(149,624)	167,309
Change in fair value of investment properties		50,901	366,503
Change in fair value of investments in equity instruments at fair value through profit or loss ("FVTPL")		41,315	(9,721)
Other gains and losses		663	394
Finance costs	5	(67,944)	(69,087)
Profit before taxation	6	98,574	675,911
Taxation			
Current	7	(16,599)	(15,222)
Deferred	7	(6,853)	(8,640)
Profit for the year		75,122	652,049
Profit attributable to:			
Shareholders of the Company		38,454	539,701
Non-controlling interests		36,668	112,348
		75,122	652,049
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9	3.33	46.77

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2020 HK\$' 000	2019 HK\$' 000
Profit for the year	<u>75,122</u>	<u>652,049</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")	(39,802)	(6,229)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of investments in debt instruments at FVTOCI	(651)	431
Exchange difference on translation of associates	<u>(16,637)</u>	<u>(7,301)</u>
Other comprehensive expense for the year, net of tax	<u>(57,090)</u>	<u>(13,099)</u>
Total comprehensive income for the year	<u><u>18,032</u></u>	<u><u>638,950</u></u>
Total comprehensive income attributable to:		
Shareholders of the Company	(14,529)	526,602
Non-controlling interests	<u>32,561</u>	<u>112,348</u>
	<u><u>18,032</u></u>	<u><u>638,950</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 31 March 2020 HK\$' 000	At 31 March 2019 HK\$' 000
ASSETS			
Non-current assets			
Investment properties		7,584,000	7,525,000
Associates		2,146,408	2,337,377
Debt instruments at FVTOCI		1,647	1,907
Equity instruments designated at FVTOCI		232,286	273,267
Equity instruments at FVTPL		174,497	81,301
Property, plant & equipment		3,262	4,004
Other assets		300	300
		10,142,400	10,223,156
Current assets			
Debtors, advances & prepayments	<i>10</i>	24,227	20,507
Debt instruments at FVTOCI		–	71,134
Tax assets		495	1,893
Cash & bank balances		390,267	287,453
		414,989	380,987
Total assets		10,557,389	10,604,143
EQUITY			
Share capital		115,404	115,404
Reserves		6,912,398	6,980,013
Shareholders' funds		7,027,802	7,095,417
Non-controlling interests		1,075,293	1,066,732
Total equity		8,103,095	8,162,149

		At 31 March 2020 HK\$' 000	At 31 March 2019 HK\$' 000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Creditors & accruals	<i>11</i>	51,896	49,066
Secured bank loans		1,417,500	1,881,000
Obligations under finance lease		–	664
Lease liabilities		65	–
Deferred taxation		70,663	63,810
		<u>1,540,124</u>	<u>1,994,540</u>
Current liabilities			
Creditors & accruals	<i>11</i>	45,027	44,518
Secured bank loans		863,500	400,000
Obligations under finance lease		–	343
Lease liabilities		600	–
Tax liabilities		5,043	2,593
		<u>914,170</u>	<u>447,454</u>
Total liabilities		<u>2,454,294</u>	<u>2,441,994</u>
Total equity and liabilities		<u>10,557,389</u>	<u>10,604,143</u>

Notes:

1. BASIS OF PREPARATION

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

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

The accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2019, except for the changes as set out below.

During the current year, the Group has applied the following new HKFRSs and amendments to HKFRSs issued by the HKICPA for the first time:

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 HKFRSs and 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.

HKFRS 16 “Leases”

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

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 standard 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 April 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 Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b) (ii) transition. Comparative information has not been restated.

For leases that were previously classified as finance leases applying HKAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying HKAS 17. For those leases, a lessee shall account for the right-of-use asset and the lease liability applying this Standard from the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

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.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated 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 of land and building 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 or another systematic basis over the lease term.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 2.84%.

	At 1 April 2019 HK\$' 000
Operating lease commitments disclosed as at 31 March 2019	3,990
Lease liabilities discounted at relevant incremental borrowing rates	3,990
Less: Recognition exemption – short-term leases and others	(3,990)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	–
Add: Obligations under finance lease recognised at 31 March 2019	1,007
Lease liabilities as at 1 April 2019	<u>1,007</u>
Analysed as	
– Current	343
– Non-current	664
	<u>1,007</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$' 000	Adjustments HK\$' 000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$' 000
Current liabilities			
Lease liabilities	–	343	343
Obligations under finance leases	343	(343)	–
Non-current liabilities			
Lease liabilities	–	664	664
Obligations under finance leases	664	(664)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

As a lessor

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 1 April 2019 and 31 March 2020 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year.

Amendments to HKAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarify that an entity applies HKFRS 9 “Financial Instruments” (“HKFRS 9”), including the impairment requirements, to long-term interests in an associate to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 March 2020, amounts due from associates of HK\$1,251,237,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant associates. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Definition of a Business 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 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

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

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

Segment Result

For the year ended 31 March 2020 (31 March 2019)

	Property and hotels		Investments and others		Consolidated	
	2020 HK\$' 000	2019 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000
Segment revenue						
Company and subsidiaries	<u>278,502</u>	<u>272,107</u>	<u>17,254</u>	<u>18,826</u>	<u>295,756</u>	<u>290,933</u>
Segment result	207,482	202,977	16,106	17,720	223,588	220,697
Unallocated corporate expenses					<u>(325)</u>	<u>(184)</u>
Operating profit					223,263	220,513
Share of results of associates	(149,624)	167,309	–	–	(149,624)	167,309
Change in fair value of investment properties	50,901	366,503	–	–	50,901	366,503
Change in fair value of investments in equity instruments at FVTPL	41,315	(9,721)	–	–	41,315	(9,721)
Other gains and losses	–	–	663	394	663	394
Finance costs					<u>(67,944)</u>	<u>(69,087)</u>
Profit before taxation					<u>98,574</u>	<u>675,911</u>

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 31 March 2020 (31 March 2019)

	Property and hotels		Investments and others		Consolidated	
	2020 HK\$' 000	2019 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000
Segment assets	7,951,082	7,806,109	459,899	460,657	8,410,981	8,266,766
Investment in associates	2,146,408	2,337,377	–	–	2,146,408	2,337,377
Consolidated total assets					<u>10,557,389</u>	<u>10,604,143</u>
Segment liabilities	(2,452,026)	(2,439,791)	(1,582)	(920)	(2,453,608)	(2,440,711)
Unallocated corporate liabilities					<u>(686)</u>	<u>(1,283)</u>
Consolidated total liabilities					<u>(2,454,294)</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 year ended 31 March 2020 (31 March 2019)

	Segment revenue	
	2020 HK\$' 000	2019 HK\$' 000
Hong Kong	290,498	285,882
Overseas	5,258	5,051
	<u>295,756</u>	<u>290,933</u>

As at 31 March 2020 (31 March 2019)

	Segment assets	
	2020 HK\$' 000	2019 HK\$' 000
Hong Kong	8,134,653	7,945,911
Overseas	276,328	320,855
	<u>8,410,981</u>	<u>8,266,766</u>

4. REVENUE

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

	2020 HK\$' 000	2019 HK\$' 000
Revenue from contracts with customers within the scope of HKFRS 15		
Property expenses recovery from tenants	43,379	41,743
Revenue from other sources		
Rental income from property leasing	235,123	230,364
Dividend income		
– equity instruments designated at FVTOCI	9,034	8,911
Interest income		
– financial assets at amortized cost	7,039	7,496
– debt instruments at FVTOCI	1,181	2,047
Others	–	372
	<u>295,756</u>	<u>290,933</u>

5. FINANCE COSTS

	2020 HK\$' 000	2019 HK\$' 000
Interest on bank loans	66,314	64,009
Interest on finance lease	–	53
Interest on lease liabilities	30	–
Other finance cost	1,600	5,025
	<u>67,944</u>	<u>69,087</u>

6. PROFIT BEFORE TAXATION

	2020 HK\$' 000	2019 HK\$' 000
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	20,457	19,290
Minimum lease payment for Directors' quarters	3,120	3,120
Pension scheme contributions	251	233
Auditor's remuneration	600	589
Depreciation	815	998
Net exchange loss	18	14
and after crediting:		
Rental income from property leasing	235,123	230,364
Add: other income	2,061	147
Listed investment income	6,989	8,391
Unlisted investment income	2,045	520
Interest income	8,220	9,543

7. TAXATION

	2020			2019		
	Current taxation HK\$' 000	Deferred taxation HK\$' 000	Total HK\$' 000	Current taxation HK\$' 000	Deferred taxation HK\$' 000	Total HK\$' 000
Provision/(credit) for the year						
Hong Kong	16,599	7,103	23,702	14,962	7,390	22,352
Overseas	–	(250)	(250)	–	1,250	1,250
Under-provision in prior years	–	–	–	260	–	260
	<u>16,599</u>	<u>6,853</u>	<u>23,452</u>	<u>15,222</u>	<u>8,640</u>	<u>23,862</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regimes was insignificant to the consolidated financial statements.

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

8. DIVIDENDS

	2020	2019
	HK\$' 000	HK\$' 000
Interim dividend of HK1.5 cents (2019: HK1.5 cents) per ordinary share	17,311	17,311
Final dividend proposed - Nil (2019: HK3.1 cents per ordinary share)	—	35,775
	<u>17,311</u>	<u>53,086</u>

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

Interim for the year ended 31 March 2020 (2019)	17,311	17,311
Final for the year ended 31 March 2019 (2018)	35,775	35,775
	<u>53,086</u>	<u>53,086</u>

The Board of Directors does not recommend payment of a final dividend for the year ended 31 March 2020 (2019: HK3.1 cents per ordinary share).

9. EARNINGS PER SHARE

Earnings per share is calculated on profit attributable to ordinary shareholders of the Company amounting to HK\$38,454,000 (2019: HK\$539,701,000) and on 1,154,038,656 shares (2019: 1,154,038,656 shares) in issue during the year.

No diluted earnings per share have been presented for the years ended 31 March 2020 and 31 March 2019 as the Company had no dilutive potential ordinary shares during both years.

10. DEBTORS, ADVANCES & PREPAYMENTS

Debtors, advances & prepayments comprised the following:

	2020	2019
	HK\$' 000	HK\$' 000
Deferred rental receivables	9,502	9,928
Other deposits and prepayments	8,177	5,940
Trade and rental debtors	6,548	4,639
	<u>24,227</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:

	2020 HK\$' 000	2019 HK\$' 000
0 – 30 days	5,633	4,367
31 – 60 days	388	111
61 – 90 days	286	60
>90 days	241	101
	<u>6,548</u>	<u>4,639</u>

11. CREDITORS & ACCRUALS

	2020 HK\$' 000	2019 HK\$' 000
Creditors and accruals (due within one year)		
Rental deposits received	22,357	24,657
Accruals	13,291	13,846
Trade payables	9,379	6,015
	<u>45,027</u>	<u>44,518</u>
Creditors and accruals (due more than one year)		
Rental deposits received	51,896	49,066
	<u>96,923</u>	<u>93,584</u>

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

	2020 HK\$' 000	2019 HK\$' 000
0 – 30 days	7,064	5,364
31 – 60 days	938	319
61 – 90 days	809	153
>90 days	568	179
	<u>9,379</u>	<u>6,015</u>

BUSINESS REVIEW

The past twelve months have undoubtedly been the most challenging ones we have faced since the Global Financial Crisis in 2008/2009. The world markets were first rocked by the failure of the US-China trade talks in May last year, then Hong Kong was hit by large scale and sometimes violent anti-government protests for much of June until end of 2019. These protests devastated the hotel and tourism related sectors in Hong Kong. While the performance of investment properties in Hong Kong have been largely stable, business of all Hong Kong hotels has been hit hard. And just when we thought we could hope for some normalcy, the ultimate black swan event was upon us... The COVID-19 coronavirus outbreak that started in Wuhan, China in December 2019 quickly became a major pandemic and shut down much of the world by the end of March 2020.

In Thailand, the number of visitors to the country increased by 4.24% to 39.8 million in 2019. While this is record high arrivals, it is at a slower pace than expected, and not keeping pace with the increase in supply of hotels in general. On the other hand, Chinese tourist arrivals recovered after the July 2018 boat accident in Phuket, registering 10.99 million in total arrivals in 2019. During the first 9 months of the fiscal year, our hotels in Thailand generally tracked ahead of 2018 numbers with a robust second half in 2019. However, the arrival of the COVID-19 pandemic similarly ravaged the Thai hotel industry in the first quarter of 2020.

For the year ended 31 March 2020, total revenue for the Group including share of associates was HK\$615.6 million, compared to HK\$743.1 million for the 2019 fiscal year. The decline in revenues was due to the sharp drop in business at the InterContinental Hong Kong due to the aforementioned anti-government protests in 2019 and COVID-19 in the first quarter of 2020. COVID-19 had also affected the Group's hotels in Thailand in the first quarter of 2020. Fortunately, the Group's directly held investment assets have been resilient, resulting in a slight increase in operating profit to HK\$223.3 million, from HK\$220.5 million during the same period in 2019. On the other hand, share of results of associates suffered a loss of HK\$149.6 million mainly due to the decrease in fair value at the InterContinental Hong Kong and our two Thai hotels, compared to a gain of HK\$167.3 million in 2019. As the Hong Kong economy had been ravaged by the anti-government protests and COVID-19 during much of the fiscal year, fair value increase in investment properties (including through equity instruments) was only HK\$92.2 million, far lower than the HK\$356.8 million gain in 2019. Due to the lower fair value increase in investment properties and the decline in fair market value for the Group's hotel assets, net profit declined to HK\$75.1 million (2019: HK\$652.0 million), of which net profit attributable to shareholders was HK\$38.4 million (2019: HK\$539.7 million).

Overall, the Group's exposure to hotels represents about 17% of total assets, while investment properties about 77% of total assets.

Property Investments

As at 31 March 2020, 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%. During the fiscal year, Pioneer Place contributed rental and related revenues of HK\$65.5 million (2019: HK\$67.4 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. In September 2019, the Chinese restaurant (a tenant which has been 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 anti-government protest movements. This caused the occupancy of the building to drop to 92%. For the year ended 31 March 2020, the property contributed rental and related revenues of HK\$136.0 million (2019: HK\$132.6 million) and a fair value increase of HK\$24.9 million.

The Club Lusitano Building (80,100 sq. ft.) in Central, Hong Kong has also continued to perform strongly, with an occupancy rate of 96% as at 31 March 2020. For the fiscal year, the property contributed HK\$64.4 million in rental and related revenues (2019: HK\$59.9 million) and HK\$17.0 million in fair value increase to the Group.

On the other hand, 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 continued to be challenging due to the current market conditions, leading to an occupancy rate of 54%. For the fiscal year, the property contributed HK\$10.7 million in rental and related revenues (2019: HK\$10.3 million) and a fair value decrease to the Group of HK\$20 million.

The Group has investments in Shanghai K. Wah Centre (7.7%) through an associate and Ciro's Plaza (4.0%) through an equity instrument, both of which are located in Shanghai, China. As at 31 March 2020, the properties had occupancies of 94% and 85% respectively and fair value increase of HK\$2.2 million and fair value decrease of HK\$7.5 million respectively.

Since February 2019, the Group has also invested in an effective stake of 5.1% in three adjacent commercial buildings in Tokyo, Japan through an associate. 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, all enjoying a prime location on top of three subway lines. As at 31 March 2020, the three buildings have occupancy rates of 96%, 91%, and 90% respectively. This investment recorded a fair value increase of HK\$51.3 million.

In May and July 2019, the Group invested HK\$51.9 million through an equity instrument (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 new 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. On 31 March 2020, the properties have an occupancy of 98%. This investment recorded a fair value increase of HK\$48.8 million.

Hotel Investments

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

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. For the first 3 months of the financial year (April to June 2019), the hotel performed strongly, with an average occupancy rate of 90%. However, since July 2019, the property suffered from the persistent anti-government protests in Hong Kong, and occupancy rates dropped to 83% in July and then averaged between 49% to 54% during the months from August 2019 to January 2020. Then COVID-19 hit and the occupancy rate plummeted to single digits during the months of February and March 2020. The hotel closed the financial year with an average occupancy of 56%, compared to average occupancy of 88% in 2019. As a result of the combined effects of anti-government protests and COVID-19, InterContinental Hong Kong's revenues dropped to HK\$719.6 million for the 12 months ended March 2020, compared to HK\$1,135.7 million in 2019. Similarly, operating profit also dropped substantially to HK\$132.0 million (2019: HK\$415.0 million). The share of results recorded a loss of HK\$185.5 million during the year was mainly due to the fair value loss of the hotel.

In Thailand, the Group's two hotels in Bangkok and Pattaya had performed satisfactorily until end of 2019 for the first 9 months of the fiscal year, tracking ahead of 2018 same period numbers. However, due to the substantial decline in the Chinese outbound market since the onset of the COVID-19 coronavirus, business dropped substantially since mid-January this year and as such both hotels underperformed budget for the financial year. This is particularly disappointing as first quarter is usually the tourism high season for Thailand. For the year ended 31 March 2020, the Pullman Bangkok Hotel G (owned by the Group's 49.5% owned associate company) had revenues of Baht 512.1 million (HK\$127.5 million equivalent) (2019: Baht 566.5 million, HK\$135.6 million equivalent) and operating profit of Baht 185.3 million (HK\$46.1 million equivalent) (2019: Baht 221.7 million, HK\$53.1 million equivalent), with an average occupancy of 75% (2019: 83%). During the same period, the Pullman Pattaya Hotel G (held by the Group through the same 49.5% owned associate that holds the Pullman Bangkok Hotel G) had revenues of Baht 331.9 million (HK\$82.6 million equivalent) (2019: Baht 374.5 million, HK\$89.6 million equivalent) and operating profit of Baht 111.1 million (HK\$27.7 million equivalent) (2019: Baht 139.6 million, HK\$33.4 million equivalent), with an average occupancy rate of 74% (2019: 77%). The share of results recorded a loss of HK\$29.7 million during the year was mainly due to the fair value loss of the hotels.

PROSPECTS

In Hong Kong, while the anti-government protests and the COVID-19 coronavirus have devastated our hotel business, most of the Group's major investment properties (with the exception of Kiu Fat Building which is under re-positioning) have continued to maintain high occupancy as well as stable or growing income.

Due to the stringent quarantine measures and social distancing rules implemented by the Hong Kong government for inbound travelers since the end of March this year, the management of the InterContinental Hong Kong decided to close the hotel on 20 April 2020 to start its long planned renovation program (originally planned closure was first quarter of 2021). It is expected that there will be additional capital contribution to fund this renovation. After the comprehensive renovation, the hotel will be re-opened as The Regent Hotel Hong Kong in 2022.

The government of Thailand also reacted to COVID-19 by declaring a state of emergency, curfews, and subsequently banning entry by foreign nationals into the country in early April. As a result, the Group decided to shut our two hotels in Thailand temporarily in April 2020. As the restrictive measures have been relaxed locally, we recently re-opened the 25 Degrees restaurant at Pullman Bangkok Hotel G on 1 June 2020. Furthermore, the country recently announced that it will reopen to international travelers on 1 July, albeit to a restricted list of countries. While the reopening will likely be slow and still dependent on government policies and availability of flights, we are hopeful that we can look at re-opening the hotels early July 2020.

The COVID-19 coronavirus has wrecked havoc on the world economy, causing massive unemployment globally, and the travel and tourism sectors have been hit particularly hard. But in response to the crisis, governments around the world have responded with unprecedented monetary stimulus which has successfully cushioned the pain in the short term. Many East Asian countries have also been successful in controlling the spread of the virus and the situation in US and Europe appears to be moderating. At the time of writing, many European countries are preparing to open their borders soon to international travels and US will likely follow. This is welcome news, as the experience of Europe can point the way for how the rest of the world can return to normal international travels. While we have no doubt that travel demands will fully recover when restrictions are lifted, the worry is there is still the potential risk of a second wave (or more) of the pandemic and there are no credible plans as yet on how to deal with it if it comes.

In view of all of these uncertainties, the Group has maintained a resilient balance sheet, with strong liquidity position and low debt ratio (interest cover of 329% and total liabilities/total asset ratio of 23%). We shall remain vigilant, hence the Board does not recommend to pay a final dividend for the year ended 31 March 2020. But we are also 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 of investment opportunities should a major price correction occur.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to enjoy a strong and healthy financial position. As at 31 March 2020, the Group's had cash and bank balances amounting to HK\$390.3 million (31 March 2019: HK\$287.5 million) together with an undrawn standby banking facility of HK\$50.0 million.

As at 31 March 2020, the total bank borrowings of the Group were HK\$2,281.0 million (31 March 2019: HK\$2,281.0 million), including bank loans of Pioneer Place of HK\$600.0 million and Club Lusitano Building of HK\$263.5 million to be refinanced in year 2020/21. The Group's total debts to total assets ratio was 21.6% (31 March 2019: 21.5%) and net debt to total assets ratio was 17.9% (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, China and Japan with carrying amounts of HK\$343.4 million, HK\$212.7 million and HK\$138.4 million equivalents respectively as at 31 March 2020 (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.

Pledge of Assets

At the year-end date, investment properties with a carrying value of HK\$7,510.0 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 31 March 2020, the Group had guarantees of 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 31 March 2020, 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.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend (2019: HK3.1 cents per ordinary share) for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING (“AGM”)

The AGM of the Company is scheduled to be held on Monday, 14 September 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 9 September 2020 to 14 September 2020, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 September 2020.

CORPORATE GOVERNANCE

During the year ended 31 March 2020, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

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

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management and external auditor the accounting principles and practices adopted by the Group, the risk management and internal control system, the internal audit function and the consolidated financial statements of the Group for the year ended 31 March 2020. The Committee is satisfied with the review and has no disagreement regarding the financial results for the year ended 31 March 2020. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2020 have also been agreed with the Company’s external auditor to the amounts set out in the Group’s consolidated financial statements for the financial year.

By Order of the Board
Kenneth Gaw
Managing Director

Hong Kong, 23 June 2020

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.