



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

Stock Code : 00224



INTERIM REPORT **2014**



**PIONEER GLOBAL GROUP LIMITED**

## 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

### COMPANY SECRETARY

Tsui Yan LAW

### BANKERS

Bank of Communications Co., Ltd.

Hong Kong Branch

Citibank N.A. Hong Kong

Standard Chartered Bank (Hong Kong)  
Limited

The Hongkong & Shanghai Banking  
Corporation Limited

### SOLICITORS

Baker & McKenzie

Mayer Brown JSM

### AUDITORS

Wong Brothers & Co.

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### PRINCIPAL OFFICE IN HONG KONG

20th Floor, Lyndhurst Tower  
No.1 Lyndhurst Terrace  
Central  
Hong Kong

### SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM 08  
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](http://www.irasia.com/listco/hk/pioneer/index.htm)

Bloomberg: 224:HK

Reuters: 0224.hk

The Board of Directors of Pioneer Global Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>For the six months ended 30 September</b>	
		<b>2014</b>	2013
	<i>Notes</i>	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
Turnover			
Company and subsidiaries		<b>102,251</b>	91,580
Share of associates		<b>42,949</b>	49,552
		<b>145,200</b>	141,132
Turnover of Company and subsidiaries	5	<b>102,251</b>	91,580
Properties operating expenses		<b>(19,035)</b>	(16,294)
Staff costs		<b>(5,759)</b>	(5,708)
Depreciation		<b>(224)</b>	(254)
Other expenses		<b>(1,980)</b>	(2,420)
		<b>(26,998)</b>	(24,676)
Operating profit	4	<b>75,253</b>	66,904
Share of profits of associates		<b>2,271</b>	9,819
Change in fair value of investment properties		<b>233,163</b>	101,896
Other gains and losses	6	<b>2,032</b>	(815)
Finance costs		<b>(18,644)</b>	(17,630)
Profit before taxation	7	<b>294,075</b>	160,174
Taxation			
– current	8	<b>(5,635)</b>	(834)
– deferred	8	<b>(4,249)</b>	(6,017)
Profit for the period		<b>284,191</b>	153,323
Profit attributable to:			
Shareholders of the Company		<b>236,525</b>	142,463
Non-controlling interests		<b>47,666</b>	10,860
		<b>284,191</b>	153,323
Interim dividend	9	<b>15,003</b>	15,003
		<b>HK cents</b>	HK cents
Earnings per share	10	<b>20.50</b>	12.34

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<b>284,191</b>	153,323
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available for sale investments		
– subsidiaries	<b>7,618</b>	(3,815)
– associates	<b>10,944</b>	(32,614)
Exchange difference on translation of associates	<b>168</b>	387
Other comprehensive income/(expense) for the period	<b>18,730</b>	(36,042)
Total comprehensive income for the period	<b>302,921</b>	117,281
Total comprehensive income attributable to:		
Shareholders of the Company	<b>252,111</b>	105,877
Non-controlling interests	<b>50,810</b>	11,404
	<b>302,921</b>	117,281

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties	11	<b>5,555,900</b>	5,220,700
Associates		<b>749,071</b>	736,659
Available for sale investments	17	<b>315,306</b>	260,895
Property, plant and equipment		<b>2,044</b>	2,213
Other assets		<b>300</b>	300
		<b>6,622,621</b>	6,220,767
Current assets			
Debtors, advances & prepayments	12	<b>22,877</b>	17,677
Available for sale investments	17	<b>8,838</b>	12,449
Financial assets at fair value	17	<b>2,040</b>	1,567
Cash & bank balances	13	<b>130,018</b>	175,430
Tax assets		<b>–</b>	230
		<b>163,773</b>	207,353
<b>Total assets</b>		<b>6,786,394</b>	6,428,120
<b>EQUITY</b>			
Share capital		<b>115,404</b>	115,404
Reserves		<b>4,161,203</b>	3,937,943
Shareholders' funds		<b>4,276,607</b>	4,053,347
Non-controlling interests		<b>761,525</b>	741,188
<b>Total equity</b>		<b>5,038,132</b>	4,794,535

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
	Notes		
<b>LIABILITIES</b>			
Non-current liabilities			
Creditors & accruals	14	<b>39,910</b>	33,188
Secured bank loans	15	<b>1,527,653</b>	1,259,803
Deferred taxation		<b>45,938</b>	41,690
		<b>1,613,501</b>	1,334,681
Current liabilities			
Creditors & accruals	14	<b>21,894</b>	36,340
Secured bank loans	15	<b>107,818</b>	242,064
Deferred payment		–	20,500
Tax liabilities		<b>5,049</b>	–
		<b>134,761</b>	298,904
<b>Total liabilities</b>		<b>1,748,262</b>	1,633,585
<b>Total equity and liabilities</b>		<b>6,786,394</b>	6,428,120

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	<b>53,225</b>	59,713
Net cash used in investing activities	<b>(133,669)</b>	(14,131)
Net cash generated from/(used in) financing activities	<b>35,151</b>	(54,694)
Decrease in cash and cash equivalents	<b>(45,293)</b>	(9,112)
Effect of foreign exchange rate changes	<b>(119)</b>	–
Cash and cash equivalents at 1 April	<b>175,430</b>	173,359
Cash and cash equivalents at 30 September	<b>130,018</b>	164,247
Analysis of the balances of cash and cash equivalents		
Bank balances, cash and deposits placed with banks up to three months' maturity	<b>130,018</b>	164,247



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve & contributed surplus HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2014	115,404	547,748	41,242	6,646	235,697	3,106,610	4,053,347	741,188	4,794,535
Fair value change of available for sale investments									
– subsidiaries	-	-	-	-	4,474	-	4,474	-	4,474
– non-controlling interests	-	-	-	-	-	-	-	3,144	3,144
– associates	-	-	-	-	10,944	-	10,944	-	10,944
Exchange on translation of associates	-	-	-	168	-	-	168	-	168
Profit for the period	-	-	-	-	-	236,525	236,525	47,666	284,191
Total comprehensive income for the period	-	-	-	168	15,418	236,525	252,111	50,810	302,921
Distribution to non-controlling interests	-	-	-	-	-	-	-	(30,473)	(30,473)
2014 final dividend paid	-	-	-	-	-	(28,851)	(28,851)	-	(28,851)
<b>As at 30 September 2014</b>	<b>115,404</b>	<b>547,748</b>	<b>41,242</b>	<b>6,814</b>	<b>251,115</b>	<b>3,314,284</b>	<b>4,276,607</b>	<b>761,525</b>	<b>5,038,132</b>
At 1 April 2013	115,404	547,748	41,242	6,625	297,464	2,673,014	3,681,497	682,956	4,364,453
Fair value change of available for sale investments									
– subsidiaries	-	-	-	-	(4,359)	-	(4,359)	-	(4,359)
– non-controlling interests	-	-	-	-	-	-	-	544	544
– associates	-	-	-	-	(32,614)	-	(32,614)	-	(32,614)
Exchange on translation of associates	-	-	-	387	-	-	387	-	387
Profit for the period	-	-	-	-	-	142,463	142,463	10,860	153,323
Total comprehensive income for the period	-	-	-	387	(36,973)	142,463	105,877	11,404	117,281
Distribution to non-controlling interests	-	-	-	-	-	-	-	(378)	(378)
2013 final dividend paid	-	-	-	-	-	(28,851)	(28,851)	-	(28,851)
<b>As at 30 September 2013</b>	<b>115,404</b>	<b>547,748</b>	<b>41,242</b>	<b>7,012</b>	<b>260,491</b>	<b>2,786,626</b>	<b>3,758,523</b>	<b>693,982</b>	<b>4,452,505</b>

# NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 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 and Principal Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 March 2014, except for the changes set out below.

During the current period, the Group has applied a number of new and revised standards, amendments to standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA which are relevant to its operations.

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities
HK (IFRIC) – Int 21	Levies

The Group considered that the adoption of these new and revised HKFRSs had no material effect on the results and financial position of the Group and/or disclosures set out in these condensed consolidated financial statements.

## 2. Application of Hong Kong Financial Reporting Standards and Principal Accounting Policies (Continued)

### New and Revised Standards and Amendments to Standards in Issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization <sup>3</sup>
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKFRS 11 (Amendment)	Joint Arrangement – Accounting for Acquisitions of Interests in Joint Operation <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014 with limited exceptions

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the potential impact of the above new and revised standards and amendments to standards. The Group is not yet in a position to determine the impact of these new and revised standards and amendments to standards on the results of operations and financial position of the Group.

## 3. Financial Risks Management

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. There have been no changes in the Group's financial risk management policies and procedures since year ended 31 March 2014.

#### 4. Segment Information

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

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

##### Segment Result

For the six months ended 30 September 2014 (30 September 2013)

	Property and hotels		Investments and others		Consolidated	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment turnover</b>						
Company and subsidiaries	<b>92,717</b>	82,341	<b>9,534</b>	9,239	<b>102,251</b>	91,580
<b>Segment result</b>	<b>66,119</b>	58,111	<b>9,266</b>	8,932	<b>75,385</b>	67,043
Unallocated corporate expenses					<b>(132)</b>	(139)
Operating profit					<b>75,253</b>	66,904
Share of profits of associates	<b>2,271</b>	9,819	-	-	<b>2,271</b>	9,819
Change in fair value of investment properties	<b>233,163</b>	101,896	-	-	<b>233,163</b>	101,896
Other gains and losses	-	-	<b>2,032</b>	(815)	<b>2,032</b>	(815)
Finance costs					<b>(18,644)</b>	(17,630)
Taxation					<b>(9,884)</b>	(6,851)
Non-controlling interests					<b>(47,666)</b>	(10,860)
Profit attributable to shareholders of the Company					<b>236,525</b>	142,463
<b>Other information</b>						
Capital expenditure	<b>102,946</b>	37,353	<b>48,181</b>	6,356	<b>151,127</b>	43,709

#### 4. Segment Information (Continued)

##### Segment Assets and Liabilities

As at 30 September 2014 (31 March 2014)

	Property and hotels		Investments and others		Consolidated	
	September 2014 HK\$'000	March 2014 HK\$'000	September 2014 HK\$'000	March 2014 HK\$'000	September 2014 HK\$'000	March 2014 HK\$'000
Segment assets	<b>5,727,160</b>	5,428,828	<b>310,163</b>	262,633	<b>6,037,323</b>	5,691,461
Investment in associates	<b>749,071</b>	736,659	-	-	<b>749,071</b>	736,659
Consolidated total assets					<b>6,786,394</b>	6,428,120
Segment liabilities	<b>(1,718,005)</b>	(1,614,671)	<b>(29,150)</b>	(17,723)	<b>(1,747,155)</b>	(1,632,394)
Unallocated corporate liabilities					<b>(1,107)</b>	(1,191)
Consolidated total liabilities					<b>(1,748,262)</b>	(1,633,585)

##### Geographical Segment

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

For the six months ended 30 September 2014 (30 September 2013)

	Turnover by geographical market	
	September 2014 HK\$'000	September 2013 HK\$'000
Hong Kong	<b>98,242</b>	88,042
Overseas	<b>4,009</b>	3,538
	<b>102,251</b>	91,580

As at 30 September 2014 (31 March 2014)

	Segment assets	
	September 2014 HK\$'000	March 2014 HK\$'000
Hong Kong	<b>5,883,142</b>	5,567,651
Overseas	<b>154,181</b>	123,580
	<b>6,037,323</b>	5,691,231

## 5. Turnover

	2014 HK\$'000	2013 HK\$'000
Rental income	78,402	68,839
Property expenses recovery	14,315	13,502
Dividend income	7,214	4,703
Interest income	1,927	2,906
Others	393	1,630
	<b>102,251</b>	91,580

## 6. Other Gains and Losses

	2014 HK\$'000	2013 HK\$'000
Net gain on disposal of available for sale investments	1,476	–
Increase/(decrease) in fair value of financial assets	570	(788)
Other losses	(14)	(27)
	<b>2,032</b>	(815)

## 7. Profit Before Taxation

	2014 HK\$'000	2013 HK\$'000
<b>Profit before taxation has been arrived at after charging:</b>		
Interest on bank loans wholly repayable within five years	18,644	17,630
Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	5,716	5,604
Pension scheme contributions	89	78
Auditors' remuneration	246	235
Depreciation	224	254
(Over-provision)/provision for long service payments to employees	(46)	26
<b>And after crediting:</b>		
Rental income from investment properties	78,402	68,839
Less: direct outgoings	(3,451)	(2,062)
Listed investment income	4,420	3,609
Unlisted investment income	2,794	1,094
Interest income	1,927	2,906
Exchange gain	393	1,630

## 8. Taxation

	2014			2013		
	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	5,620	4,199	9,819	822	5,817	6,639
Overseas	15	50	65	12	200	212
	5,635	4,249	9,884	834	6,017	6,851

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

## 9. Interim Dividend

The Board of Directors declares an interim dividend of HK1.30 cents (2013: HK1.30 cents) per ordinary share, totaling HK\$15,003,000 for the six months ended 30 September 2014 (2013: HK\$15,003,000) to shareholders whose names appear on the register of members of the Company at the close of business on 24 December 2014. This amount is not included as a liability in these interim financial statements.

## 10. Earnings Per Share

Earnings per share is calculated on profit attributable to shareholders amounting to HK\$236,525,000 (2013: HK\$142,463,000) and on 1,154,038,656 shares (2013: 1,154,038,656 shares) in issue during the period.

No diluted earnings per share have been presented for the periods ended 30 September 2014 and 30 September 2013 as the Company had no dilutive potential ordinary shares during both periods.

## 11. Investment Properties

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
At valuation at 31 March 2014 (31 March 2013)	<b>5,220,700</b>	4,704,200
Additions	<b>102,037</b>	101,969
Revaluation	<b>233,163</b>	414,531
At 30 September 2014 (31 March 2014)	<b>5,555,900</b>	5,220,700

The fair value of the Group's investment properties at 30 September 2014 and 31 March 2014 has been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group.

The fair value of the investment properties (except for an investment property that has 80-year leasehold interest) was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available. For the 80-year leasehold interest property in Hong Kong, the fair value was determined using investment approach whereby the net rental income receivable from the property with due allowance for reversionary rental income potential is capitalized at an appropriate rate of returns for the residue of the term of the lease.

There has been no change from the valuation technique used in the prior periods. In estimating the fair value of the investment properties, the Directors have considered the highest and best use of the properties.

## 12. Debtors, Advances & Prepayments

Debtors, advances & prepayments comprised the following:

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Deferred rental receivables	<b>14,309</b>	11,943
Other deposits and prepayments	<b>7,291</b>	4,802
Trade and rental debtors	<b>1,277</b>	932
	<b>22,877</b>	17,677



## 12. Debtors, Advances & Prepayments (Continued)

Trade and rental debtors mainly comprise rental receivables. Rent from leasing of investment properties are recognized according to the date of debit notes and normally received in advance.

At the reporting date, the aging analysis of the trade and rental debtors was as follows:

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
0 – 30 days	<b>1,209</b>	923
31 – 60 days	<b>68</b>	9
	<b>1,277</b>	932

## 13. Cash and Bank Balances

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Cash at bank and in hand	<b>60,309</b>	111,570
Short-term bank deposits	<b>69,709</b>	63,860
Cash and cash equivalents	<b>130,018</b>	175,430

#### 14. Creditors & Accruals

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Creditors and accruals (due within one year)		
Rental deposits received	<b>12,278</b>	15,147
Provision for long service payments	<b>592</b>	685
Accruals	<b>5,808</b>	5,181
Trade payables	<b>3,216</b>	15,327
	<b>21,894</b>	36,340
Creditors and accruals (due more than one year)		
Rental deposits received	<b>39,910</b>	33,188
	<b>61,804</b>	69,528

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
0 – 30 days	<b>2,929</b>	15,244
31 – 60 days	<b>270</b>	51
61 – 90 days	<b>17</b>	11
> 90 days	<b>–</b>	21
	<b>3,216</b>	15,327

#### 15. Secured Bank Loans

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Current		
Repayable within one year	<b>107,818</b>	242,064
Non-current		
Repayable more than one year but not exceeding two years	<b>1,019,194</b>	1,018,329
Repayable more than two years but not exceeding five years	<b>508,459</b>	241,474
	<b>1,527,653</b>	1,259,803

## 15. Secured Bank Loans (Continued)

All bank loans are denominated in Hong Kong dollars, except for a bank loan of HK\$245,959,000 which is denominated in United States dollars (31 March 2014: all bank loans were denominated in Hong Kong dollars). The effective interest rate at 30 September 2014 was 2.14% p.a. (31 March 2014: 2.12% p.a.). The carrying amount of bank loans approximates their fair value based on prevailing market interest rate.

At the reporting date, properties with a carrying value of approximately HK\$5,509,000,000 (31 March 2014: HK\$5,175,000,000) and available for sale investments with a carrying value of approximately HK\$19,013,000 (31 March 2014: HK\$18,778,000) were pledged to secure banking and other loan facilities to the extent of HK\$1,786,384,000 (31 March 2014: HK\$1,703,848,000) of which HK\$1,635,471,000 (31 March 2014: HK\$1,501,867,000) was utilized at that date.

At the reporting date, bank deposits of HK\$56,018,000 (31 March 2014: HK\$98,790,000) were charged by the lending bank to secure the principal and interest payments of the bank loan.

## 16. Guarantees and Commitments

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
<b>Guarantees</b>		
– given to bank in respect of banking facilities utilized by subsidiaries	<b>591,459</b>	470,192
– given to bank in respect of banking facilities utilized by associates	<b>167,026</b>	166,927
– on utility deposits	<b>533</b>	548
<b>Commitments (contracted but not provided for)</b>		
– for total future minimum lease payments in respect of land and buildings		
– not later than one year	<b>2,905</b>	2,905
– later than one year and not later than five years	<b>1,539</b>	2,992
– for purchase of available for sale investments		
– not later than one year	<b>1,578</b>	1,758

## 17. Fair Value Measurement of Financial Instruments

The Group's financial instruments are classified as available for sale investments and financial assets at fair value, which are measured at fair value. The financial instruments are grouped into 3 levels based on the degree to which the inputs to the fair value measurements are observable.

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).

The following table provides an analysis of the Group's financial instruments that are grouped into different levels of fair value measurements.

	30 September 2014			31 March 2014		
	HK\$'000 Level 1	HK\$'000 Level 3	HK\$'000 Total	HK\$'000 Level 1	HK\$'000 Level 3	HK\$'000 Total
<b>Non-current Assets</b>						
<b>Available for sale investments</b>						
Listed investments						
In Hong Kong	179,225	-	179,225	158,714	-	158,714
Outside Hong Kong	32,840	-	32,840	32,627	-	32,627
Unlisted investments						
In Hong Kong	-	37	37	-	37	37
Outside Hong Kong	-	103,204	103,204	-	69,517	69,517
	<b>212,065</b>	<b>103,241</b>	<b>315,306</b>	191,341	69,554	260,895
<b>Current Assets</b>						
<b>Available for sale investments</b>						
Listed investments						
In Hong Kong	8,838	-	8,838	8,719	-	8,719
Outside Hong Kong	-	-	-	3,730	-	3,730
<b>Financial assets at fair value</b>						
Listed investments						
Outside Hong Kong	2,040	-	2,040	1,567	-	1,567
	<b>10,878</b>	<b>-</b>	<b>10,878</b>	14,016	-	14,016

## 17. Fair Value Measurement of Financial Instruments (Continued)

As at 30 September 2014, the Group had no Level 2 financial instruments. There were no transfers or reclassifications of financial assets during the period ended 30 September 2014.

The fair value of listed investments that are measured using quoted market prices (Level 1) is the current bid price at the reporting date.

The fair value of unlisted investments that are measured using unobservable market data (Level 3) is derived from the net asset value of the investments.

The following table shows the movement of Level 3 financial instruments during the period:

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Unlisted available for sale investments		
At 1 April 2014 (1 April 2013)	<b>69,554</b>	76,710
Additions	<b>23,400</b>	–
Disposal	–	(6,898)
Return of capital	<b>(1,553)</b>	(4,676)
Total gains or losses:		
In other comprehensive income as change in fair value of available for sale investments of subsidiaries	<b>11,840</b>	4,418
At 30 September 2014 (31 March 2014)	<b>103,241</b>	69,554

## BUSINESS REVIEW

In 2014, the US Fed finally began the much anticipated tapering of the quantitative easing operation which pulled its economy out of the Global Financial Crisis of 2007/2008. However, we continue to see liquidity being injected from the central banks of other major economies, including Japan, China, and Europe. In particular, the quantitative easing announced by Prime Minister Abe of Japan is unprecedented for that country and has made a big impact to the markets. In an environment where the US is tapering and Japan is easing in a substantial manner, it is expected that we will see a strong US Dollar while the Japanese Yen will continue to weaken. How this impacts the rest of the Asian economies is something to watch out for.

As expected, China's economic growth slowed down as Xi Jinping's government rolled out its reform package. In order to guide the domestic housing market to a soft landing, the government canceled home purchase restrictions across much of the country (except for the four tier-one cities of Beijing, Shanghai, Guangzhou, and Shenzhen, plus Haikou) and injected substantial liquidity into the banking system in the second half of the year. These measures spurred buying activities in large cities, though home prices are still soft in smaller tier cities. We expect that home prices will remain subdued in the next 12 months, but the government will have sufficient monetary policy levers to prevent a "bubble burst" scenario predicted by pundits in the west.

In Hong Kong, harsh administrative measures by the government to dampen investment demand have been successful in containing property prices. However, these measures have also made it much more difficult for end users to purchase properties. In particular, the lowered mortgage gearing ratio implemented by HKMA meant that home buyers are now required to come up with much greater amount of equity for home purchases. Developers responded to this by building very small flats to suit end user buyers. This strategy seems to have worked as sale of small flats launched to the market have been very successful and sold at high unit prices.

In September, the Occupy Central movements rocked Hong Kong by taking over streets of Central/Admiralty, Causeway Bay, and Mongkok. While the protesters initially received general public support, they have clearly overstayed their welcome and public opinions are turning against them rapidly. At the time of this writing, the police have already started clearing some occupied areas, without much resistance. We remain hopeful that law and order will be restored soon.

In Thailand, the latest army coup in May brought back law and order after the capital city Bangkok was rocked by months of sometimes violent street protests. However, the economy remains in the doldrums, with growth at only 0.4% and 0.6% in Q2 and Q3 respectively. The army appointed government is keen to jump start the economy by increasing infrastructure spending and maintaining lower interest rates. An area of optimism is that tourism has recovered surprisingly quickly once the protests ended. Hotels in Bangkok have largely seen occupancy back to levels seen before the protests started this time last year.

For the six months ended 30 September 2014, turnover for the Group and share of associates was HK\$145.2 million, a 2.9% increase from HK\$141.1 million in 2013. Operating profits was HK\$75.3 million, compared to HK\$66.9 million during the interim period in 2013. The increase in turnover and operating profits was mainly due to the increase in rental income from the Group's investment properties. During the six months interim period, net profit attributable to shareholders was HK\$236.5 million (2013: HK\$142.5 million). The primary reason for the increase in net profit was due to a larger gain in fair value of investment properties (HK\$233.2 million for this period versus HK\$101.9 million in the six months to 30 September 2013). In particular, this period saw a substantial increase in value to our 68 Yee Wo Street and newly completed Pioneer Place.

## **Property Investments**

In August this year, the Group's Pioneer Building (245,678 sq.ft.) in Kwun Tong, Hong Kong reopened as "Pioneer Place" after a 16 months, HK\$240.0 million, major conversion from an industrial building to an office building. Thus far, leases have been signed for 21% of the space at the range of HK\$24 to HK\$30 per sq.ft., compared to average rental rates of HK\$7 per sq.ft. prior to the conversion. Additional leases are currently under discussion with multiple prospective tenants. We are confident that the building will be substantially leased in the next 12-18 months. For the period ended 30 September 2014, Pioneer Place contributed a fair value increase of HK\$81.7 million.

The Group's 60% owned 68 Yee Wo Street Building (229,200 sq.ft.) in Causeway Bay, Hong Kong performed well, enjoying rising average rental rate and high occupancy at 96% as at the close of the reporting period. Despite the occupy movement in Causeway Bay near the property, the tenants in the building have not experienced sustained, negative effects. During the six months interim period, the property contributed rental and related revenues of HK\$58.9 million and a fair value increase of HK\$89.0 million to the Group.

During the six months period ended 30 September 2014, the Club Lusitano Building (80,100 sq.ft.) in Central, Hong Kong contributed HK\$17.8 million in rental and related revenues and HK\$39.7 million in fair value increase to the Group. The occupancy of the building stood at 81%, largely due to the vacancy of the 11,828 sq.ft. retail podium. As reported previously, the Group plans to renovate the retail podium to substantially improve its facade and interior layout. Subsequent to the end of the reporting period, we have signed a lease for the G/F and 1/F of the podium and are in discussion with a few prospective tenants on the 2/F. Apart from the retail podium, the remainder of the office building is almost fully leased (with only one vacant floor) and has enjoyed an increasing rental rate.

As at 30 September 2014, the Pemberton Building (70,616 sq.ft.) in Sheung Wan, Hong Kong enjoyed an occupancy rate of 100% and contributed HK\$13.5 million in rental and related revenues and a fair value increase of HK\$22.0 million for the six months interim period.

During the interim period, the Shanghai K. Wah Centre (a GFA 750,000 sq.ft. commercial tower in Shanghai held 15.4% through the Group's 50.0% owned associated company) contributed an associate profit of HK\$5.1 million to the Group.

## **Investments in Hotel Industry**

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

In the first half of 2014, tourism industry in Thailand was hit hard by the massive street protests that started in Q4 2013. As the epicenter of the protests, Bangkok's hotel market suffered tremendously, and the negative impact, while lesser than that in Bangkok, also extended to Bangkok's feeder destinations such as Pattaya. Since the army took over in May to restore law and order, tourists have returned to Thailand and occupancy rates recovered, although room rates remain lower than before the street protests.



During the six months ended 30 September 2014, the Pullman Pattaya Hotel G (owned by the Group's 49.5% owned associated company) had revenues of Baht 144.1 million (2013: Baht 160.1 million) and operating profits of Baht 40.5 million (2013: Baht 58.4 million). In the same period, the Pullman Bangkok Hotel G (held by the Group through the same 49.5% owned associate that holds the Pullman Pattaya Hotel G) had revenues of Baht 179.8 million (2013: Baht 207.7 million) and operating profit of Baht 41.8 million (2013: Baht 51.0 million). The drop in performance for the two hotels were mainly due to the negative effects of the protests in Bangkok. It is encouraging to see that tourists have started to return by the end of Q3 2014, as evidenced by occupancy rates in the range of 68% – 72% in September.

The Group (through its 49.5% owned Thai associated company) owns 37.5% of a 79 acre land site at Cape Nga in Phuket, Thailand, with plans to develop a world-class luxury resort with branded residences. Phase 1 of the project is a 100-keys all villa resort and luxury residences operating under the brand of Park Hyatt Phuket. The construction permit has been obtained since Q4 2013. However, due to the political unrest in Bangkok, the Group decided to postpone the construction of the project. Now that the political situation has been stabilized, we are looking at possibly restarting the project in 2015.

A 50% owned associated company of the Group holds 10.3% of Dusit Thani Public Company Limited (“Dusit Thani”), the leading owner and operator of hotels in Thailand. For the nine months ended 30 September 2014, Dusit Thani achieved total revenues of Baht 3.40 billion (2013 (Restated): Baht 3.58 billion) and net loss attributable to shareholders of Baht 53.8 million (2013 (Restated): profit of Baht 92.7 million). Like our two hotels in Bangkok and Pattaya, Dusit Thani's results were similarly affected by the street protests in Bangkok.

The Group's unlisted associated company (27.71% owned by the Group), Strand Hotels International Limited, is in a 50/50 joint venture with the government of Myanmar to own and operate (for 30 years) three hotels in Yangon – the Strand Hotel, the Inya Lake Hotel, and the Thamada Hotel. In 2014, the three hotels have continued to perform well, with another record performing year in the forecast. Looking forward, however, new hotels are being built in the city and some of our competitors are renovating their products. To meet competition, the management is planning major refurbishment plans for our three properties. Pending an extension of the operating leases of the 3 hotels, these works are expected to be carried out in phases over the next 3-4 years.

## PROSPECTS

Pioneer Place was re-launched in August 2014 as a commercial office building under the industrial buildings revitalization scheme. This project is recognized by the market as the most extensive and highest spec conversion since the Hong Kong Government launched the revitalization scheme in 2010. While we are still in the early stages of leasing of the building, the average achieved rental rates have been 3 times of average rents before the conversion. We are confident that the re-launched building will become a major income contributor to the Group and further fair value increase can be recognized.

The “Strand Cruise”, owned by a subsidiary of Strand Hotels International Limited and is under construction in Myanmar, will be launched into water in November 2014. The river cruise ship will have 26 cabins and will be marketed with packages in conjunction with the Strand Hotel in Yangon. It is expected that the ship will be completed by Q3 2015 and will be ready for service during the tourism high season of 2015/2016.

Looking forward, we continue to be concerned about the unstable political environments in our key markets of Hong Kong and Thailand, and however we will be cautious about new investments in the near future.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to enjoy a strong financial position with substantial unutilized bank facilities. At 30 September 2014, the Group's total debts to total assets was 24.1% (31 March 2014: 23.7%) and net debt to total assets was 22.2% (31 March 2014: 21.0%).

## EMPLOYEES

As at 30 September 2014, the number of salaried staff at the holding company level was 17 (2013: 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.

## DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2014, 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 (the “Model Code”) adopted by the Company to be notified to the Company and the Stock Exchange.

### Long Position in Shares of the Company

	Personal interests	Interests held by controlled corporation	Interests held by family trust	Total	%
Rossana Wang Gaw	–	24,894,731 <sup>1</sup>	215,768,260 <sup>2</sup>	240,662,991	20.85
Kenneth Gaw	61,418,428	12,725,857 <sup>3</sup>	41,305,864 <sup>4</sup>	115,450,149	10.00
Christina Gaw	–	19,699,216 <sup>5</sup>	–	19,699,216	1.71
Stephen Tan	–	4,440,754 <sup>6</sup>	–	4,440,754	0.38

- Mrs. Rossana Wang Gaw owns the entire issue share capital of Vitality Holdings Limited, which was beneficially interested in 24,894,731 shares.
- Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 215,768,260 shares.
- Mr. Kenneth Gaw owns the entire issued share capital of Top Elite Company Limited, which was beneficially interested in 12,725,857 shares.
- Family trust of which Mr. Kenneth Gaw is the sole beneficiary held an aggregate of 41,305,864 shares.
- Ms. Christina Gaw owns the entire issued share capital of Eternity Rich Investments Ltd., which was beneficially interested in 19,699,216 shares.
- Mr. Stephen Tan and his spouse together own 0.59% issued share capital of Bangkok Mercantile (Hong Kong) Co., Ltd., which was beneficially interested in 4,440,754 shares. Mr. Stephen Tan is the Chairman of Bangkok Mercantile (Hong Kong) Co., Ltd. and he can exercise control over the board.

## Long Position in Shares of Associated Corporations

Name of company	Name of director	Number of shares held by controlled corporation	%
Pioneer Hospitality Siam (GBR) Limited	Rossana Wang Gaw	2,020,000*	50.5
Pioneer Hospitality Siam (GBR) Limited	Kenneth Gaw	2,020,000*	50.5
Keencity Properties Limited	Rossana Wang Gaw	5,019,205*	50.5
Keencity Properties Limited	Kenneth Gaw	5,019,205*	50.5
Pioneer iNetwork Limited	Rossana Wang Gaw	1*	50.0
Pioneer iNetwork Limited	Kenneth Gaw	1*	50.0

\* 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 30 September 2014, 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 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 30 September 2014, so far as the Directors were aware, the following persons (other than a director or chief executive of the Company) who had interests or long or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Name of shareholder	Number of shares	%
Asset-Plus Investments Ltd.	115,403,866	10.00
Forward Investments Inc.	283,200,215	24.54
Intercontinental Enterprises Corporation	215,768,260 <sup>1</sup>	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".

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 30 September 2014, had interests or long or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

As at 30 September 2014, no outstanding options granted under the share option scheme. During the six months period ended 30 September 2014, none of the directors had exercised any rights to subscribe for shares of the Company or any other body corporate.

## **INTERIM DIVIDEND**

The Board of Directors recommends the payment of an interim dividend for the six months ended 30 September 2014 at the rate of HK1.30 cents per share (2013: HK1.30 cents), payable on 22 January 2015 to all persons registered as shareholders on 24 December 2014. The transfer books and register of members of the Company will be closed from 22 December 2014 to 24 December 2014, 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 19 December 2014.

## **REVIEW OF INTERIM REPORT**

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 2014.

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

During the six months ended 30 September 2014, 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 2014, the Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for deviation from code provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive directors and other non-executive directors should attend general meetings. Due to his prior business commitment, Mr. Stephen Tan, an independent non-executive director, was unable to attend the annual general meeting of the Company.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of 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 period ended 30 September 2014.

By Order of the Board

**Kenneth Gaw**

*Managing Director*

Hong Kong, 27 November 2014