



博富臨置業有限公司

**Pokfulam Development
Company Limited**

Stock Code : 225

INTERIM REPORT | 2015 - 2016



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wong Tat Chang, Abraham
(*Chairman and Managing Director*)
Wong Tat Kee, David
Wong Tat Sum, Samuel

Independent Non-executive Directors

Mdm. Lam Hsieh Lee Chin, Linda
Li Kwok Sing, Aubrey
Sit Hoi Wah, Kenneth

BOARD COMMITTEES

Audit Committee

Li Kwok Sing, Aubrey (*Chairman*)
Mdm. Lam Hsieh Lee Chin, Linda
Sit Hoi Wah, Kenneth

Remuneration Committee

Sit Hoi Wah, Kenneth (*Chairman*)
Wong Tat Chang, Abraham
Li Kwok Sing, Aubrey

Nomination Committee

Wong Tat Chang, Abraham (*Chairman*)
Li Kwok Sing, Aubrey
Sit Hoi Wah, Kenneth

AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham
Hui Sui Yuen

COMPANY SECRETARY

Hui Sui Yuen

REGISTERED OFFICE

23rd Floor, Beverly House
93–107 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.

SOLICITORS

Woo Kwan Lee & Lo
Tony Kan & Co.
Huen & Partners Solicitors

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

<http://www.pokfulam.com.hk>

SHARE INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

225

Board Lot

2,000 shares

CHAIRMAN'S STATEMENT

INTERIM PROFIT

The unaudited consolidated net profit of the Company and its subsidiaries (collectively, the "Group") after taxation and minority interest for the six months ended 31 March 2016 was HK\$103.8 million, as compared to HK\$134.4 million for the corresponding period of the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK\$51.2 million (2015: HK\$74.8 million) on investment properties;
- An unrealized gain of HK\$0.1 million (2015: HK\$7.1 million) on listed securities investments; and
- Share of profit of a joint venture of HK\$0.1 million (2015: loss of HK\$1.3 million).

If the above items and their net taxation expense of HK\$2.3 million (2015: HK\$2.4 million) were excluded, the operating net profit after taxation for the period would have been HK\$54.7 million (2015: HK\$56.2 million).

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK4 cents per ordinary share in respect of the first six months of the financial year ending 30 September 2016 (2015: HK4 cents per ordinary share) payable on 4 July 2016 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 24 June 2016.

BUSINESS REVIEW

A. Hong Kong

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 12% more than that of the same period last year.

Rental income from the Group's residential properties showed a 16% increase. The increase was mainly attributable to the higher rental income generated from the leasing of units in the newly renovated property at No. 3 Headland Road. Rental income from the Group's office and industrial properties had shown a 3.5% increase, which was in line with local segment trends and was also attributable to the limited increase in supply of office space in the Wanchai area in which the Group's office building is located.

Elephant Holdings Limited had recorded a 29% decline in sales revenue during the six months under review, which reflected the weakened state of the local retail sector.

CHAIRMAN'S STATEMENT

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) – Frequent unforeseen policy changes by various government departments relevant to this development project continued to impede the progress of the development. Additional requirements had been imposed by relevant Government Authorities for granting of the Certificate of Compliance for the commercial podium of Phase III ("Certificate of Compliance") of this project. These requirements are being fulfilled gradually and it is expected the Certificate of Compliance will be issued in the coming three months. After which, this property can then be released to the market.

In early February 2016, the Group has entered an agreement with an independent third party ("Purchaser"), pursuant to which, the Group agreed to conditionally sell and the Purchaser agreed to conditionally purchase, our share of the entire equity interest in this Project. However, as the Purchaser failed to provide the Finance Amount to an escrow account of our PRC Company on 30 April 2016, the agreement was terminated on 30 April 2016.

Residential units in Vivaldi Court of Manhattan garden, Chao Yang District, Beijing – Interior renovation work has been carried out to upgrade the Group's properties in this project, and there had been an improvement in rental revenue comparing to that of the previous reporting period.

PROSPECTS

The overall economic slow-down in China has continued to hamper the local economy, as evidenced by the downturn of the stock market and decline in business volume in the service and consumer retail sectors. This sluggish economic backdrop has been the main factor leading to drop in property price in the residential sector in the past couple of months and a softening in demand for rental of high-end residential properties. Whilst subdued market conditions are a negative influence on the income generated by the Group's properties in this sector, the overall rental income of the Group in the second half of the financial year is anticipated to remain steady, barring unforeseen circumstance.

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 30 May 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
POKFULAM DEVELOPMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 18, which comprise the condensed consolidated statement of financial position as of 31 March 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 May 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | NOTES | Six months ended | |
|---|-------|-------------------------|-------------------------|
| | | 31.3.2016 | 31.3.2015 |
| | | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Revenue | | 66,294 | 65,323 |
| Cost of goods sold | | (6,838) | (9,717) |
| Cost of rental and other operations | | (14,501) | (14,098) |
| | | 44,955 | 41,508 |
| Other income | | 27,565 | 27,352 |
| Other expense | | (4,828) | – |
| Selling and marketing expenses | | (718) | (1,024) |
| Administrative expenses | | (6,554) | (6,309) |
| Finance costs | 4 | (1,045) | (1,006) |
| Profit before changes in fair value of investments held for trading and investment properties | | 59,375 | 60,521 |
| Increase in fair value of investments held for trading | | 100 | 7,107 |
| Increase in fair value of investment properties | 9 | 51,218 | 74,820 |
| | | 110,693 | 142,448 |
| Share of profit (loss) of a joint venture | | 50 | (1,250) |
| Profit before tax | 5 | 110,743 | 141,198 |
| Income tax expense | 6 | (7,383) | (6,799) |
| Profit for the period | | 103,360 | 134,399 |
| Other comprehensive expense | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | | (924) | (1,258) |
| Exchange loss arising from long term advances to a joint venture | | (716) | (405) |
| Other comprehensive expense for the period | | (1,640) | (1,663) |
| Total comprehensive income for the period | | 101,720 | 132,736 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 103,843 | 134,415 |
| Non-controlling interests | | (483) | (16) |
| | | 103,360 | 134,399 |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | 102,203 | 132,752 |
| Non-controlling interests | | (483) | (16) |
| | | 101,720 | 132,736 |
| | | HK cents | HK cents |
| Earnings per share – basic | 8 | 94.2 | 122.0 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

| | NOTES | 31.3.2016 HK\$'000 (unaudited) | 30.9.2015 HK\$'000 (audited) |
|---|-------|--------------------------------------|------------------------------------|
| Non-current Assets | | | |
| Investment properties | 9 | 4,202,880 | 4,134,199 |
| Property, plant and equipment | 9 | 4,626 | 4,606 |
| Interest in a joint venture | 10 | 12,398 | 13,834 |
| Amount due from a joint venture | | 150,138 | 135,007 |
| Deposits and prepayments | | – | 1,362 |
| Available-for-sale investment | | 8,000 | 8,000 |
| | | 4,378,042 | 4,297,008 |
| Current Assets | | | |
| Inventories | | 12,593 | 7,575 |
| Investments held for trading | | 44,595 | 44,495 |
| Loan to a joint venture | | 11,429 | 10,739 |
| Trade and other receivables | 11 | 9,116 | 8,685 |
| Deposits and prepayments | | 6,348 | 5,895 |
| Bank balances and cash | | 165,328 | 173,533 |
| | | 249,409 | 250,922 |
| Current Liabilities | | | |
| Trade and other payables | 12 | 24,591 | 21,856 |
| Rental and management fee deposits | | 24,612 | 23,998 |
| Provision for taxation | | 6,060 | 9,189 |
| Bank loan, secured | 13 | 70,000 | 70,000 |
| | | 125,263 | 125,043 |
| Net Current Assets | | 124,146 | 125,879 |
| Total Assets less Current Liabilities | | 4,502,188 | 4,422,887 |
| Capital and Reserves | | | |
| Share capital | | 146,134 | 146,134 |
| Reserves | | 4,316,315 | 4,239,453 |
| Equity attributable to owners of the Company | | 4,462,449 | 4,385,587 |
| Non-controlling interests | | 7,531 | 8,014 |
| Total Equity | | 4,469,980 | 4,393,601 |
| Non-current Liability | | | |
| Deferred taxation | | 32,208 | 29,286 |
| | | 4,502,188 | 4,422,887 |

The condensed consolidated financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on 30 May 2016 and are signed on its behalf by:

Wong Tat Chang, Abraham
DIRECTOR

Wong Tat Sum, Samuel
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Attributable to owners of the Company | | | | Non- | |
|--|---------------------------------------|-------------|-----------|-----------|-------------|-----------|
| | Share | Translation | Retained | Total | controlling | Total |
| | capital | reserve | profits | | interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 October 2014 (audited) | 146,134 | 15,373 | 4,085,876 | 4,247,383 | 7,919 | 4,255,302 |
| Profit (loss) for the period | - | - | 134,415 | 134,415 | (16) | 134,399 |
| Exchange difference arising on translation of foreign operations | - | (1,258) | - | (1,258) | - | (1,258) |
| Exchange loss arising from long term advances to a joint venture | - | (405) | - | (405) | - | (405) |
| Total comprehensive (expense) income for the period | - | (1,663) | 134,415 | 132,752 | (16) | 132,736 |
| Dividend paid | - | - | (25,341) | (25,341) | - | (25,341) |
| At 31 March 2015 (unaudited) | 146,134 | 13,710 | 4,194,950 | 4,354,794 | 7,903 | 4,362,697 |
| At 1 October 2015 (audited) | 146,134 | 10,891 | 4,228,562 | 4,385,587 | 8,014 | 4,393,601 |
| Profit (loss) for the period | - | - | 103,843 | 103,843 | (483) | 103,360 |
| Exchange difference arising on translation of foreign operations | - | (924) | - | (924) | - | (924) |
| Exchange loss arising from long term advances to a joint venture | - | (716) | - | (716) | - | (716) |
| Total comprehensive (expense) income for the period | - | (1,640) | 103,843 | 102,203 | (483) | 101,720 |
| Dividend paid | - | - | (25,341) | (25,341) | - | (25,341) |
| At 31 March 2016 (unaudited) | 146,134 | 9,251 | 4,307,064 | 4,462,449 | 7,531 | 4,469,980 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Six months ended | |
|--|-------------------------|-------------------------|
| | 31.3.2016 | 31.3.2015 |
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Net cash from operating activities | 26,406 | 30,017 |
| Investing activities | | |
| Advance to a joint venture | (14,000) | (3,792) |
| Dividend income from an available-for-sale investee company | 22,331 | 23,732 |
| Addition of investment properties | (16,218) | (8,458) |
| Other investing cash flows | (449) | (122) |
| Net cash (used in) from investing activities | (8,336) | 11,360 |
| Financing activities | | |
| New bank loan raised | – | 20,000 |
| Repayment of bank loans | – | (35,000) |
| Dividend paid | (25,341) | (25,341) |
| Interest paid | (780) | (1,027) |
| Net cash used in financing activities | (26,121) | (41,368) |
| (Decrease) increase in cash and cash equivalents | (8,051) | 9 |
| Cash and cash equivalents at beginning of the period | 173,533 | 151,508 |
| Effect of foreign exchange rates changes | (154) | (88) |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | 165,328 | 151,429 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are property investment and management, trading of visual and sound equipment, securities investment and investment holding.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2015.

The financial information relating to the year ended 30 September 2015 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 30 September 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 March 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2015.

Except for those disclosed in the Group's annual financial statements for the year ended 30 September 2015, the directors of the Company (the "Directors") anticipate that the application of the new and revised Hong Kong Financial Reporting Standards will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the chief operating decision maker (managing director) for the purposes of resource allocation and performance assessment are as follows:

| | | |
|------------------------------------|---|---|
| Property investment and management | – | letting and management of commercial and residential properties |
| Trading of goods | – | trading of visual and sound equipment |
| Securities investment | – | dealings in listed securities |

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 31 March 2016

| | Property investment and management | Trading of goods | Securities investment | Segment total | Eliminations | Consolidated |
|------------------------------------|------------------------------------|------------------|-----------------------|---------------|--------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| REVENUE | | | | | | |
| External | 54,887 | 10,763 | 644 | 66,294 | – | 66,294 |
| Inter-segment | 809 | 145 | – | 954 | (954) | – |
| | 55,696 | 10,908 | 644 | 67,248 | (954) | 66,294 |
| Segment profit (loss) | 95,265 (Note) | (324) | 763 | 95,704 | – | 95,704 |
| Other income | | | | | | 27,213 |
| Other expense | | | | | | (4,828) |
| Central administrative costs | | | | | | (6,351) |
| Finance costs | | | | | | (1,045) |
| Share of profit of a joint venture | | | | | | 50 |
| Profit before tax | | | | | | 110,743 |

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK\$51,218,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 March 2015

| | Property investment and management | Trading of goods | Securities investment | Segment total | Eliminations | Consolidated |
|----------------------------------|---|---------------------|--------------------------|------------------|--------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| REVENUE | | | | | | |
| External | 49,373 | 15,306 | 644 | 65,323 | – | 65,323 |
| Inter-segment | 825 | – | – | 825 | (825) | – |
| | 50,198 | 15,306 | 644 | 66,148 | (825) | 65,323 |
| Segment profit | 113,761 (Note) | 778 | 7,770 | 122,309 | – | 122,309 |
| Other income | | | | | | 26,919 |
| Central administrative costs | | | | | | (5,774) |
| Finance costs | | | | | | (1,006) |
| Share of loss of a joint venture | | | | | | (1,250) |
| Profit before tax | | | | | | 141,198 |

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK\$74,820,000.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain other income (mainly including interest income and dividend income from available-for-sale investment), other expense, central administrative costs, finance costs, share of profit (loss) of a joint venture and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not reported to the chief operating decision maker in the resource allocation and assessment of performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

4. FINANCE COSTS

The amounts represent interests on a bank loan.

5. PROFIT BEFORE TAX

| | Six months ended | |
|---|------------------|-----------|
| | 31.3.2016 | 31.3.2015 |
| | HK\$'000 | HK\$'000 |
| Profit before tax has been arrived at after charging (crediting): | | |
| Depreciation on property, plant and equipment | 428 | 565 |
| Loss (gain) on disposal of property, plant and equipment | 1 | (79) |
| Imputed interest on amount due from a joint venture | (2,302) | (2,295) |
| Dividend income from listed securities | (644) | (644) |
| Dividend income from an available-for-sale investee company | (22,331) | (23,732) |

6. INCOME TAX EXPENSE

| | Six months ended | |
|-----------------------|------------------|--------------|
| | 31.3.2016 | 31.3.2015 |
| | HK\$'000 | HK\$'000 |
| Hong Kong Profits Tax | 4,461 | 4,018 |
| Deferred tax charge | 2,922 | 2,781 |
| | 7,383 | 6,799 |

7. DIVIDEND

In January 2016, the final dividend in respect of the financial year ended 30 September 2015 of HK23 cents (2015: HK23 cents in respect of the financial year ended 30.9.2014) per share totalling HK\$25,341,000 (2015: HK\$25,341,000) was paid to the shareholders of the Company (the "Shareholders").

Subsequent to the end of the interim reporting period, the Directors have determined that an interim dividend in respect of the financial year ending 30 September 2016 of HK4 cents (2015: HK4 cents) per share totalling HK\$4,407,000 (2015: HK\$4,407,000) will be paid to the Shareholders whose names appear on the register of members on 24 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the period of approximately HK\$103,843,000 (six months ended 31.3.2015: approximately HK\$134,415,000) and on 110,179,385 (six months ended 31.3.2015: 110,179,385) shares in issue during the period.

Diluted earnings per share is not presented as there were no potential ordinary shares in issue during both periods and as at 31 March 2016 and 31 March 2015.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties at 31 March 2016 were carried at their fair values as estimated by the Directors using direct comparison method and income capitalisation method, where appropriate. The resulting increase in fair value of HK\$51,218,000 (six months ended 31.3.2015: HK\$74,820,000) has been recognised directly in profit or loss for the period.

During the six months ended 31 March 2016, the Group had addition incurred cost on investment properties and property, plant and equipment at a total cost of HK\$17,463,000 and HK\$450,000 respectively (six months ended 31.3.2015: HK\$8,692,000 and HK\$210,000 respectively).

An analysis of the increase in fair value of investment properties is set out below:

| | Six months ended | |
|--|------------------|---------------|
| | 31.3.2016 | 31.3.2015 |
| | HK\$'000 | HK\$'000 |
| Properties located in Hong Kong: | | |
| Residential | 41,750 | 36,389 |
| Commercial | 5,287 | 11,781 |
| Industrial | – | 26,650 |
| Properties located in the People's Republic of China (the "PRC"): | | |
| Residential | 4,181 | – |
| | 51,218 | 74,820 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

10. INTEREST IN A JOINT VENTURE

On 4 February 2016, the Group entered into an agreement and the supplemental agreement (the "Amended and Supplemented Agreement") with an independent entity (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 3,330 ordinary shares of Silver Gain Development Limited (銀利發展有限公司), a company incorporated in Hong Kong with limited liability developing Silver Gain Plaza in Guangzhou, the PRC and a company in which the Group indirectly owns one-third of the issued shares (the "Joint Venture"), and to purchase and take assignment of the shareholder's loan owing by the Joint Venture to the Group, at the aggregate consideration of RMB100,000,000 (equivalent to approximately HK\$118,900,000) in accordance with the terms and conditions of the Amended and Supplemented Agreement.

On 19 February 2016 and 15 March 2016, the Group and the Purchaser entered into the second supplemental agreement and the third supplemental agreement respectively, pursuant to which the parties agreed to make certain amendments to the Amended and Supplemented Agreement (the "Further Amended and Supplemented Agreement") including the time of fulfilment of certain conditions.

The Further Amended and Supplemented Agreement was automatically terminated on 30 April 2016 as the Purchaser failed to provide the Finance Amount (as defined in the Company's announcement dated 15 March 2016) as stipulated in the Further Amended and Supplemented Agreement.

11. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of reporting period:

| | 31.3.2016 | 30.9.2015 |
|-------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 2,030 | 2,746 |
| 31 – 60 days | 213 | – |
| 61 – 90 days | 104 | – |
| Over 90 days | 464 | 3 |
| | 2,811 | 2,749 |
| Other receivables | 6,305 | 5,936 |
| | 9,116 | 8,685 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period:

| | 31.3.2016 | 30.9.2015 |
|------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 1,880 | 1,357 |
| 31 – 60 days | 21 | 436 |
| 61 – 90 days | 60 | 818 |
| Over 90 days | 569 | 46 |
| | 2,530 | 2,657 |
| Other payables | 15,689 | 16,031 |
| Retention payable | 1,894 | 2,011 |
| Deposit received for sale of goods | 4,478 | 1,157 |
| | 24,591 | 21,856 |

13. SECURED BANK LOAN

During the six months ended 31 March 2015, the Group raised a new bank loan of HK\$20,000,000 and repaid the bank loans of HK\$35,000,000.

14. COMMITMENTS

At the end of the reporting period,

- (a) the Group had outstanding commitments in respect of property renovation costs of HK\$2,410,000 (at 30.9.2015: HK\$9,648,000) contracted for but not provided in the condensed consolidated financial statements; and
- (b) the Group had share of the outstanding commitments of its joint venture of HK\$7,983,000 (at 30.9.2015: HK\$6,687,000) in respect of the cost of development of commercial/residential complex contracted for but not provided in its condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

15. PLEDGE OF ASSETS

At the end of the reporting period, investment properties, leasehold land and building of the Group with carrying amount of approximately HK\$3,938,400,000 (at 30.9.2015: HK\$3,873,900,000) and HK\$2,709,000 (at 30.9.2015: HK\$2,764,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

16. RELATED PARTY TRANSACTIONS

On 10 April 2012, the Group entered into a letter of award with a contractor (the "Contractor") to engage it to perform certain renovation works for a three-storey residential building owned by the Company situated at No. 3, Headland Road, Hong Kong at a contract sum of HK\$28,608,000.

During the six months ended 31 March 2016 and 31 March 2015, all the three executive Directors held interests in the Company and the Contractor. Therefore, the Contractor is a related company of the Group.

During the six months ended 31 March 2015, HK\$2,183,000 was paid or payable to the Contractor and the amounts were included in the addition to the investment properties of the Group.

As at 31 March 2016, retention payable to the Contractor of HK\$715,000 (30.9.2015: HK\$715,000) was included in the Group's trade and other payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is 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 within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

| Financial asset | Fair value as at | | Valuation technique(s) and key input(s) |
|---|------------------|-----------|---|
| | 31.3.2016 | 30.9.2015 | |
| | HK\$'000 | HK\$'000 | |
| <i>Fair value hierarchy: Level 1</i> | | | |
| Listed equity securities classified as investments held for trading | 44,595 | 44,495 | Quoted bid prices in an active market |

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

GENERAL INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Consolidated equity attributable to owners of the Company as at 31 March 2016 was HK\$4,462.4 million (30.9.2015: HK\$4,385.6 million).

At 31 March 2016, the Group's total bank balances and cash was HK\$165.3 million (30.9.2015: HK\$173.5 million), of which over 91% (30.9.2015: 38%) was denominated in Hong Kong dollars, and 8% (30.9.2015: 61%) was denominated in Renminbi. The Group's foreign exchange exposure was not significant given its large asset and operational cash flow primarily denominated in Hong Kong dollars.

At 31 March 2016, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK\$70.0 million (30.9.2015: HK\$70.0 million).

The maturity profile of the Group's total borrowings, which is based on the scheduled repayment dates set out in the loan agreements, is set out as follows:

| | 31.3.2016 | 30.9.2015 |
|-----------------|---------------------|---------------------|
| | <i>HK\$ Million</i> | <i>HK\$ Million</i> |
| Repayable: | | |
| within one year | 70.0 | 70.0 |

The Group's bank term loan of HK\$70.0 million (that is repayable within one year after the end of the reporting period and contains a repayment on demand clause) is classified under current liabilities. The bank loan carries interest at HIBOR plus a margin.

At 31 March 2016, the Group had undrawn banking facilities of HK\$320 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing and charge on assets

At 31 March 2016, the debt to equity ratio, based on the Group's total borrowings of HK\$70.0 million and the consolidated equity attributable to owners of the Company of HK\$4,462.4 million, was 1.6%, as compared with 1.6% on 30 September 2015.

At 31 March 2016, investment properties and properties for own use of the Group with an aggregate carrying value of HK\$3,838.4 million and HK\$2.7 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

Commitments

Particulars of the Group's commitments are set out in note 14 to the condensed interim consolidated financial statements.

GENERAL INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2016, the Group had 101 employees (2015: 96). The staff remuneration including Directors' emoluments and other employee expenses for the six months ended 31 March 2016 amounted to approximately HK\$10.1 million (2015: HK\$9.1 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

The Group recognises the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with the industry practice. Other benefits including free hospitalisation insurance plan, subsidised medical care and training programmes are offered to eligible employees.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate governance

Throughout the six months ended 31 March 2016, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save for the following:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Although Mr. Wong Tat Chang, Abraham holds both the positions of Chairman and Managing Director of the Company, the Board considers that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current Board composition, where half of the Board is represented by independent non-executive Directors (the "INEDs"), and corporate governance structure ensure effective oversight of management.

The Board will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Managing Director, are necessary.

GENERAL INFORMATION

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in the securities of the Company by the Directors. Following specific enquiries made with all Directors by the Company, all of them confirmed that they had complied with the required standard set out in the Model Code for the period under review.

Purchase, sale or redemption of shares

During the six months ended 31 March 2016, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporation

As at 31 March 2016, the interests or short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position interests in the Company

| Name of Directors/ chief executive | Number of ordinary shares held | | | Total | Approximate percentage of interest in the issued shares of the Company |
|---------------------------------------|--------------------------------|---------------------|--------------------|------------|---|
| | Personal interests | Family interests | Other interests | | |
| | | (Note 1) | (Note 2) | | |
| Wong Tat Chang, Abraham | 450,800 | – | 56,806,234 | 57,257,034 | 52.0% |
| Wong Tat Kee, David | – | – | 56,806,234 | 56,806,234 | 51.6% |
| Wong Tat Sum, Samuel | 556,000 | 28,800 | 56,806,234 | 57,391,034 | 52.1% |
| Lam Hsieh Lee Chin, Linda | 104,420 | – | – | 104,420 | 0.1% |

GENERAL INFORMATION

(b) Long position interests in Elephant Holdings Limited ("EHL"), a subsidiary of the Company

| Name of Directors/ chief executive | Number of ordinary shares held | | | Approximate percentage of interest in the issued shares of EHL |
|---------------------------------------|--------------------------------|--------------------|-------|--|
| | Personal interests | Other interests | Total | |
| | | (Note 2) | | |
| Wong Tat Chang, Abraham | 10 | 4,784 | 4,794 | 47.9% |
| Wong Tat Kee, David | – | 4,784 | 4,784 | 47.8% |
| Wong Tat Sum, Samuel | – | 4,784 | 4,784 | 47.8% |

Notes:

- (1) Mr. Wong Tat Sum, Samuel is deemed to be interested in 28,800 ordinary shares of the Company, being the interest held beneficially by his wife.
- (2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Directors.

Save as disclosed above, at 31 March 2016, none of the Directors or chief executive, nor their associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION

Substantial shareholders' interests and short positions in the shares and underlying shares

As at 31 March 2016, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors or chief executive, the following shareholder had notified the Company of its relevant interests in the issued shares of the Company:

| <u>Name of Shareholder</u> | <u>Number of ordinary shares held in the Company</u> | <u>Approximate percentage of interest in the issued shares of the Company</u> |
|----------------------------|--|---|
| Madison Profits Limited | 22,827,632 (Note) | 20.7% |

Note: These 22,827,632 shares held by Madison Profits Limited were taken to be the corporate interests of Mdm. Kung, Nina (deceased) pursuant to the SFO. Mr. Chan Wai Tong, Christopher, Mr. Jong Yat Kit and Mr. Wong Tak Wai, as joint and several administrators of the estate of Mdm. Kung, Nina (deceased), are deemed to have interest in the said 22,827,632 shares in the capacity of trustees.

Save as disclosed above, the Company had not been notified by any person or entity, not being a Director or the chief executive, of interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register pursuant to section 336 of the SFO.

GENERAL INFORMATION

Changes of Directors' or chief executive's information under Rule 13.51B(1) of the Listing Rules

Below are the changes of Directors' or chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board determined the annual remuneration of each of the chairman and other members of the Board and the Board committees for the year ending 30 September 2016 upon the recommendation of the remuneration committee of the Company (as appropriate) as follows:

| | Remuneration for chairman HK\$ | Remuneration for other members HK\$ |
|-------------------------|--------------------------------------|---|
| Board | 100,000 | 80,000 |
| Board committee: | | |
| Audit committee | 75,000 | 20,000 |
| Remuneration committee | 50,000 | 20,000 |
| Nomination committee | Nil | Nil |

With effect from 1 January 2016, the monthly salary (excluding the mandatory provident fund contribution, the director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman of the Board and Managing Director, has been increased from HK\$159,358 to HK\$164,017.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to the interim dividend, the Register of Members will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 June 2016.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Company (the "Audit Committee") comprises all the three INEDs. The Audit Committee has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group and this interim report.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2016 have been reviewed by our independent auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose review report is set out on page 5 of this report.