



博富臨置業有限公司

**Pokfulam Development  
Company Limited**

Stock Code : 225

► **ANNUAL 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 *(Note)*

<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

*Note:* The website of the Group (<http://www.pokfulam.com.hk>) has recently been redesigned in order to better showcase its office and residential properties.

## CHAIRMAN'S STATEMENT

### PROFIT FOR THE YEAR

The consolidated net profit of the Group after taxation and minority interests for the year ended 30 September 2016 was HK\$259.0 million, as compared to HK\$172.4 million in the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK\$169.9 million (2015: HK\$101.5 million) on investment properties;
- An unrealized loss of HK\$1.5 million (2015: HK\$2.0 million) on listed securities investments; and
- Share of loss of a joint venture of HK\$0.9 million (2015: HK\$11.7 million).

If those items and their net taxation expenses of HK\$3.4 million (2015: HK\$2.1 million) were to be excluded, the operating net profit after taxation for the year would have been HK\$94.9 million (2015: HK\$86.7 million), representing an increase of 9.5% from previous year.

### DIVIDEND

The Board has recommended the payment of a final dividend of HK25 cents per share in respect of the year ended 30 September 2016 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 5 January 2017. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 4 July 2016, would give a total dividend of HK29 cents per share for the whole financial year (2015: HK27 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Thursday, 22 December 2016, it is expected that the final dividend would be paid to the Shareholders on Thursday, 12 January 2017.

### 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 11% more than that of last year.

Rental income from the Group's Hong Kong residential properties showed a 15% increase. The increase was mainly attributable to the rental income generated from the leasing of units in the newly renovated property at No.3 Headland Road. The renovation work was completed in early 2015 and most of the units had not been leased in the last financial year. Rental income from the Group's office and industrial properties had shown a 3.2% increase, which was in line with local segment trends and was also attributable to the limited increase in the supply of office space in the Wanchai area in which the Group's office building is located.

Elephant Holdings Limited had recorded a 17% increase in revenue during the financial year under review. The increase was mainly attributable to the completion of some major contracts, including installation of a comprehensive Security Surveillance System and an audio visual system for the new Fire Services Training School at Tseung Kwan O and an audio-video system for Disney University – the personnel training centre of Disneyland in Lantau. This subsidiary continued to contribute profit to the Group.

## CHAIRMAN'S STATEMENT

### B. Property Projects in Mainland China

*Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest)* – Frequent policy changes by various government departments relevant to this development project continued to impede the progress of the development. An unforeseen change in policy requires payment of additional land premium for the commercial podium and the underground structure of Phase III of this project before the Certificate of Compliance can be issued. Hopefully, this can be resolved in a short period and this property can then be released to the market.

*Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing* – Interior renovation work continued to be 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 financial year.

### PROSPECTS

The economic outlook for Hong Kong depends very much on the well-being of China's economy. As an international financial centre, Hong Kong is also affected by the political and economic changes in the US and Western Europe. Change in US foreign policies towards China, especially on trade and finance, is highly probable with the change in US Presidency in the beginning of 2017. In view of this uncertainty, softness in the demand for rental of high-end residential properties in Hong Kong is anticipated. The rental income of the Group's properties in this sector is likely to be affected in the coming year.

In light of the economic uncertainty, the Group has devoted additional resources to its digital and ground-level marketing platforms and is confident that this step will help mitigate the above-mentioned adverse impacts on the Group's properties in Hong Kong.

The Group continues to uphold its policy to upgrade its property holdings on a continuous basis to maintain their competitiveness in the rental market. Separately, the Group will also look for new investment opportunities with a cautious and prudent attitude.

I thank my colleagues on the Board and our staff members for their loyal service and hard-work, and am also grateful to the Shareholders for their continued support to the Company.

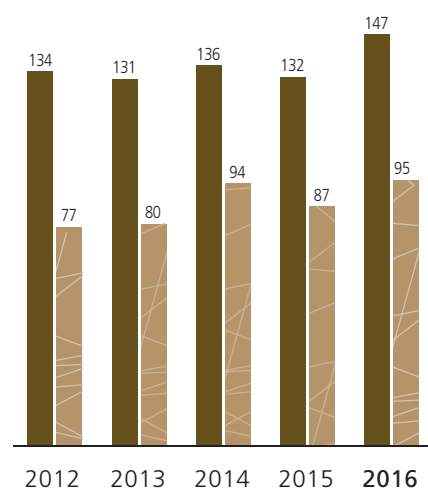
**Wong Tat Chang, Abraham**  
*Chairman and Managing Director*

Hong Kong, 11 November 2016

## FINANCIAL HIGHLIGHTS

### Revenue/Net Operating Profit

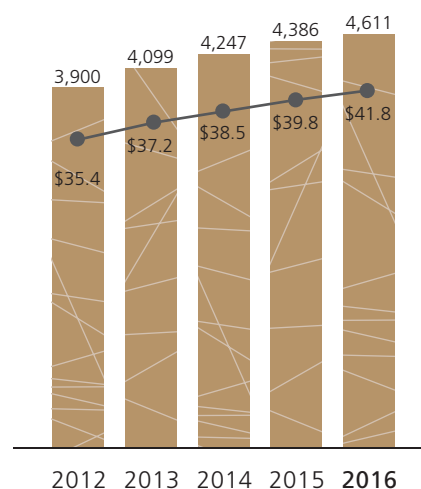
HK\$ Million



- Revenue
- Net operating profit attributable to shareholders\*

### Shareholders' Funds/Net Assets per Share

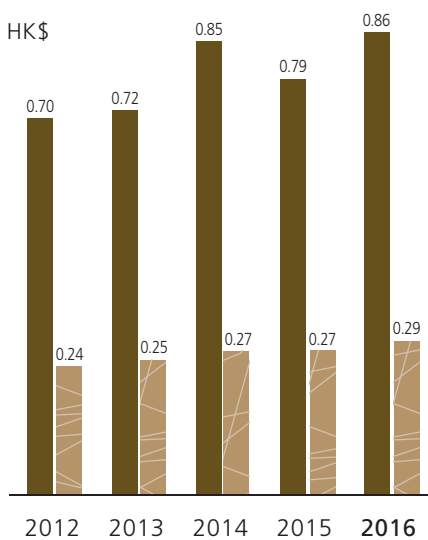
HK\$ Million / HK\$



- Shareholders' funds
- Net assets per share (HK\$)

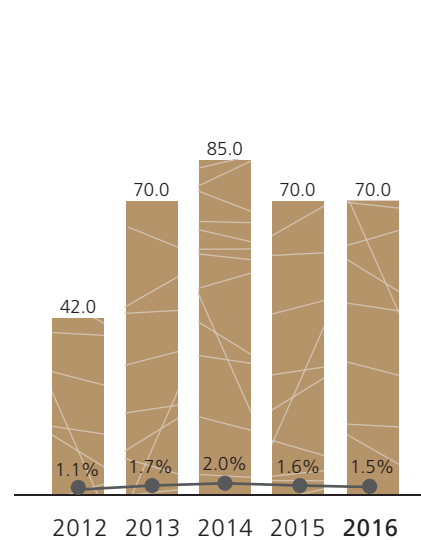
### Operating Earnings/Dividend per Share

HK\$



- Operating Earnings per share\*
- Dividend per share

### Gearing/Borrowings



- Gearing ratio
- Borrowings (HK\$ Million)

\* Excluding share of results of a joint venture as well as the revaluation effect (net of taxation) of investment properties and listed securities

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### **WONG TAT CHANG, ABRAHAM**

*B.Sc. (Cornell), Ph. D. (Calif. Berkeley)*

*Executive Director (Chairman and Managing Director) (Age: 65)*

Mr. Wong has been with the Group since 1981. Mr. Wong is the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee"). He graduated from Cornell University, Canada with a Bachelor of Science degree in mechanical engineering and holds a Master and a Doctor of Philosophy degrees in mechanical engineering from the University of California at Berkeley, the United States of America ("USA"). He is a director of all the subsidiaries of the Company. He is the elder brother of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both Executive Directors of the Company ("EDs").

#### **WONG TAT KEE, DAVID**

*B. Sc., M.Sc. (Stanford), MBA (Western Ontario)*

*Executive Director (Age: 64)*

Mr. Wong has been a director since 1981. He graduated from Stanford University, USA with a Bachelor's and a Master's degree in mechanical engineering and also holds a Master of Business Administration degree from the University of Western Ontario, Canada. He has been involved in the building construction business in Hong Kong for over 30 years and is a director of B L Wong (Holdings) Limited and a number of other private companies. He is also a director of certain of the subsidiaries of the Company. He is the younger brother of Mr. Wong Tat Chang, Abraham and the elder brother of Mr. Wong Tat Sum, Samuel, both EDs.

#### **WONG TAT SUM, SAMUEL**

*B. Sc., B.A. (Tufts)*

*Executive Director (Age: 61)*

Mr. Wong has been a director since 1981. He holds a Bachelor of Science degree in mechanical engineering and a Bachelor of Arts degree in economics from Tufts University, USA. He has been actively involved in the building construction industry and property investment, development and management. He is a director of B L Wong (Holdings) Limited. He is also a director of certain of the subsidiaries of the Company. He is the younger brother of Mr. Wong Tat Chang, Abraham and Mr. Wong Tat Kee, David, both EDs.

#### **LAM HSIEH LEE CHIN, LINDA**

*Independent Non-executive Director (Age: 89)*

Mdm. Lam was appointed as a director of the Group in 1973. She is a member of the audit committee of the Company (the "Audit Committee"). She studied in Aurora College for Women, Shanghai. She is the elder of Kowloon Tong Church of the Chinese Christian and Missionary Alliance.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### LI KWOK SING, AUBREY

*ScB, MBA*

*Independent Non-executive Director (Age: 66)*

Mr. Li was appointed as an independent non-executive director on 30 September 2004. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. He holds a Master's degree of Business Administration from Columbia University, USA and a Bachelor of Science degree in Civil Engineering from Brown University, USA. He is the chairman of IAM Holdings (Hong Kong) Limited, a Hong Kong-based investment firm. He has over 40 years' experience in merchant banking and commercial banking. He is currently a non-executive director of six other Hong Kong listed companies, namely The Bank of East Asia, Limited, Cafe de Coral Holdings Limited, China Everbright International Limited, Kunlun Energy Company Limited, Kowloon Development Company Limited and Tai Ping Carpets International Limited.

### SIT HOI WAH, KENNETH

*LLB (Hons.)*

*Independent Non-executive Director (Age: 58)*

Mr. Sit was appointed as an independent non-executive director on 10 October 2005. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. The holder of a Bachelor of Laws (Hons.) degree from the University of Hong Kong, he is a practising solicitor and notary public in Hong Kong with over 30 years' experience in the legal profession. He is a partner of Messrs. Kenneth Sit, Solicitors. He is currently an independent non-executive director of Zijin Mining Group Co., Ltd. (a Hong Kong and Shanghai listed company).

## SENIOR MANAGEMENT

### WONG CHIN YEE

*General Manager (Age: 34)*

Mr. Wong was appointed as General Manager in January 2016. He is also a director of certain of the subsidiaries of the Company. He holds Master Degrees in Urban Planning and Public Administration from University of Southern California, USA. He has over 7 years of experience of international development, sustainable development and urban planning. He resided and worked in the People's Republic of China, Vietnam and USA prior to returning to Hong Kong. He is a son of Mr. Wong Tat Chang, Abraham, Chairman and Managing Director of the Company and a nephew of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both EDs.

### HUI SUI YUEN

*CPA*

*Company Secretary and Financial Controller (Age: 37)*

Mr. Hui joined the Group in July 2012 and is now the Company Secretary and Financial Controller. He is also a director of certain of the subsidiaries of the Company. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years' accounting and finance working experience. He is now responsible for the company secretarial, financial and accounting matters of the Group.



## CORPORATE GOVERNANCE REPORT

The board of directors of Pokfulam Development Company Limited (the “Company” and the “Board”, respectively) is pleased to present this Corporate Governance Report in the annual report of the Company for the year ended 30 September 2016 (the “Year”).

### CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Board has adopted all the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) as the corporate governance code of the Company.

During the Year, the Company has complied with all the Code Provisions as set out in the Code, save and except for Code Provision A.2.1, details of which are explained below. The Company has committed to maintaining high corporate governance standards. The Company devotes considerable efforts to identify and formalize the best corporate governance practices suitable for the Company’s needs. In addition, the Company reviews regularly its organizational structure to ensure that operations are corresponding with good corporate governance practices as set out in the Code.

The key corporate governance principles and practices of the Company are summarized as follows:

### THE BOARD

#### Responsibilities

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Company and its subsidiaries (the “Group”). The Board has also established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decisions all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial reports, appointment of directors and other significant financial and operational matters.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (CONTINUED)

### Responsibilities (Continued)

All directors of the Company (the “Directors”) are committed to carrying out their duties in good faith and in compliance with the applicable laws and regulations and in the best interests of the Company and its shareholders (the “Shareholders”) at all times.

The day-to-day management, administration and operations of the Company are delegated to the Managing Director (who is also the chief executive within the meaning of the Listing Rules) and the senior management. The delegated functions and responsibilities are formalized and adopted in written terms, and they are periodically reviewed by the Board. The Managing Director and the senior management are required to obtain prior approval from the Board for any significant transactions.

Directors have full and timely access to all the relevant information as well as advice and services of the company secretary of the Company (the “Company Secretary”), with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company’s expense, upon making a reasonable request to the Board. Directors make decisions objectively in the interests of the Company.

### Board Composition

The Board currently comprises six members, namely three Executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

The Board comprises the following Directors:

#### *Executive Directors*

Mr. Wong Tat Chang, Abraham (*Chairman of the Board, Managing Director, Chairman of Nomination Committee and Member of Remuneration Committee*)  
Mr. Wong Tat Kee, David  
Mr. Wong Tat Sum, Samuel

#### *Independent Non-executive Directors*

Mdm. Lam Hsieh Lee Chin, Linda (*Member of Audit Committee*)  
Mr. Li Kwok Sing, Aubrey (*Chairman of Audit Committee and Member of Remuneration Committee and Nomination Committee*)  
Mr. Sit Hoi Wah, Kenneth (*Chairman of Remuneration Committee and Member of Audit Committee and Nomination Committee*)

# CORPORATE GOVERNANCE REPORT

## THE BOARD (CONTINUED)

### Board Composition (Continued)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules and is available on the respective websites of the Company and the Stock Exchange.

The biographical information of the Directors, and the relationships amongst them, if any, are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 6 and 7 of this annual report.

During the Year, the Board at all times met the requirements of the Listing Rules relating to the composition and number of Independent Non-executive Directors in the Board by appointing at least three Independent Non-executive Directors with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Board, after the assessment of the Nomination Committee, considers that all Independent Non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company has adopted a Board diversity policy in accordance with the requirement set out in Code Provision A.5.6 of the Code. The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of the broad array of talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These different qualities and, if appropriate, independence will be considered in determining the optimum composition of the Board and, when possible, should be balanced appropriately. All appointments of the members of the Board are made on merit, and in the context of the talents, skills and experience of the Board as a whole.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent Non-executive Directors have been appointed to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

### Appointment, Re-election and Succession Planning of Directors

The procedures for Shareholders to propose a person for election as a Director are available and accessible on the Company’s website at <http://www.pokfulam.com.hk>.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company’s Articles of Association (the “Articles of Association”). The Nomination Committee of the Company aims to review the structure, size and composition of the Board by considering the benefits of all aspects of diversity in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board by considering candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Appointment of new Directors is reserved for the Board’s approval.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (CONTINUED)

### Appointment, Re-election and Succession Planning of Directors (Continued)

The Nomination Committee ensures that the Board comprises members with a balance of talents, skills, experience, independence and knowledge and the diversity to oversee the Group's business development, strategies, operations, challenges and opportunities. The Nomination Committee considers candidates on merit, against objective criteria and with due regard for the benefits of diversity to the Board before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Mdm. Lam Hsieh Lee Chin, Linda, Mr. Li Kwok Sing, Aubrey and Mr. Sit Hoi Wah, Kenneth have served the Company as Independent Non-executive Directors of the Company for more than nine years and do not have any executive or management role in the Company nor have they been under the employment of any member of the Group. The Board considers that they have made considerable contributions to the Company with their relevant experience and knowledge throughout their years of service and they have maintained an independent view in relation to the Company's affairs.

Where a vacancy on the Board exists, the Board will carry out the selection process, with the advice provided by the Nomination Committee, by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Pursuant to the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in case of filling of a casual vacancy) or the next following annual general meeting of the Company (the "AGM") (in case of appointment of an additional Director), and shall then be eligible for re-election.

On 1 April 2015, each of the Directors (including the Independent Non-executive Directors of the Company, but except for Mr. Wong Tat Sum, Samuel) entered into a letter of appointment with the Company for a specific term of three years commencing on 1 April 2015 and is subject to retirement by rotation at least once every three years pursuant to the Articles of Association.

In accordance with the Articles of Association, Mr. Wong Tat Kee, David and Mdm. Lam Hsieh Lee Chin, Linda shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM. Pursuant to Code Provision A.4.3 of the Code, the re-election of Mdm. Lam Hsieh Lee Chin, Linda will be subject to a separate resolution to be approved by the Shareholders at the forthcoming AGM as she has served on the Board for more than 9 years.

The Board has taken the recommendation of the Nomination Committee and proposed the re-appointment of the Directors standing for re-election at the forthcoming AGM.

The Company's circular dated 18 November 2016 contains detailed information of the Directors standing for re-election.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (CONTINUED)

### Induction and Continuous Professional Development

The Company Secretary updates all Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements as well as the business environment regarding subjects necessary for the discharge of their duties. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year so that the Company can maintain a training record for its Directors. According to the training records maintained by the Company, the trainings received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
<b>Executive Directors</b>	
Mr. Wong Tat Chang, Abraham	B
Mr. Wong Tat Kee, David	B
Mr. Wong Tat Sum, Samuel	A and B
<b>Independent Non-executive Directors</b>	
Mdm. Lam Hsieh Lee Chin, Linda	B
Mr. Li Kwok Sing, Aubrey	A and B
Mr. Sit Hoi Wah, Kenneth	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, real estate, corporate governance and director's duties and responsibilities

### Insurance Cover for Directors

During the Year, the Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the Code.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND MANAGING DIRECTOR

Code Provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

Although Mr. Wong Tat Chang, Abraham holds both the positions of the Chairman and the 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, 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.

## BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website at <http://www.pokfulam.com.hk> and the Stock Exchange's website at <http://www.hkexnews.hk> and are available to the Shareholders upon request. Board committees report to the Board on their work, findings, recommendations and decisions pursuant to their terms of reference.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

### Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Sit Hoi Wah, Kenneth (Chairman), Mr. Wong Tat Chang, Abraham and Mr. Li Kwok Sing, Aubrey. The majority of the members of the Remuneration Committee are Independent Non-executive Directors.

The terms of reference of the Remuneration Committee are available on the respective websites of the Company and the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Remuneration Committee (Continued)

The main duties and responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of the Executive Directors, Independent Non-executive Directors and senior management of the Company for the Board's approval, make recommendations to the Board to improve the transparency of the Company's overall remuneration policy and to review and recommend the compensation arrangements relating to any loss or termination of office of the Directors and senior management.

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for all Directors and the senior management, which policy shall ensure, amongst other matters, that no Director or any of his/her associates will participate in deciding his/her own remuneration.
- To review and recommend the management's remuneration proposals by reference to the Board's corporate goals and objectives.
- To review and recommend the remuneration packages of all Directors and the senior management to the Board by reference to the salaries paid by comparable companies, their time commitment and responsibilities as well as the employment terms and conditions offered by other companies within the Group.
- To review and recommend the compensation arrangements for all Directors and the senior management.

The Remuneration Committee met once during the Year and reviewed the remuneration policy and structure of the Company and the remuneration packages of all Directors and the senior management for the Year.

### Audit Committee

The Audit Committee comprises three members, namely Mr. Li Kwok Sing, Aubrey (Chairman), Mr. Sit Hoi Wah, Kenneth and Mdm. Lam Hsieh Lee Chin, Linda. All the members of the Audit Committee are Independent Non-executive Directors including at least one member who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The terms of reference of the Audit Committee are available on the respective websites of the Company and the Stock Exchange.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Audit Committee (Continued)

The Company has adopted a whistle-blowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in financial reporting or other matters of the Group.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the management or the external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
- To develop and implement a policy on engaging an external auditor to supply non-audit services.
- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group (the "Employees' Arrangements"), and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held two meetings during the Year to review the interim and annual financial results and reports, financial reporting and compliance procedures, financial control system, internal control system, risk management system, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, the re-appointment of the external auditor and the Employees' Arrangements.

The Audit Committee meets the external auditor, at least annually, in the absence of management, to discuss matters relating to any issues arising from the audit and any other matters that the external auditor may wish to raise. The Audit Committee met the external auditor twice during the Year. A third meeting was held without the presence of the Executive Directors.

The Audit Committee regularly reviews the internal control system and the risk management system of the Company and reports to the Board on any variance or risks identified by the management and makes recommendations to the Board in respect of any actions, as appropriate.

The Company's annual results for the Year have been reviewed by the Audit Committee.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee

The Nomination Committee has been established by the Board with written terms of reference in compliance with the Code. The terms of reference of the Nomination Committee are available on the respective websites of the Company and the Stock Exchange.

The primary functions of the Nomination Committee include the following:

- To determine the policy for nomination of the Directors.
- To review the structure, size and composition (including the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and the requirement of Board diversity.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of the Independent Non-executive Directors.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Managing Director.
- To review the policy on Board diversity, as appropriate, and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and make recommendations to the Board on any proposed change to the policy and to exercise such other powers and authorities, and to perform such other duties, as set out in the policy or delegated by the Board from time to time.

The Nomination Committee comprises one Executive Director, Mr. Wong Tat Chang, Abraham (Chairman), and two Independent Non-executive Directors, namely Mr. Li Kwok Sing, Aubrey and Mr. Sit Hoi Wah, Kenneth. The majority of the members of the Nomination Committee are Independent Non-executive Directors.

The Nomination Committee met once during the Year and reviewed the diversity, structure, size and composition of the Board and the independence of the Independent Non-executive Directors and considered the qualifications, experience and performance of the retiring Directors and recommended to the Board their re-election at the AGM for 2015 (the "2015 AGM").

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Number of Meetings and Directors' Attendance

During the Year, the Board held four regular meetings. During these meetings, Directors discussed and approved overall strategies and policies of the Group, reviewed and monitored the financial and operational performance, and approved the annual and interim results of the Group.

During the Year, the attendance records of the Directors at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and the 2015 AGM are set out below:

Name of Directors	Attendance/Number of Meetings				
	Regular Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Nomination Committee Meeting	2015 AGM <small>Note</small>
<b>Executive Directors</b>					
Mr. Wong Tat Chang, Abraham <i>(Chairman of the Board, Managing Director, Chairman of Nomination Committee and Member of Remuneration Committee)</i>	4/4	1/1	N/A	1/1	1/1
Mr. Wong Tat Kee, David	4/4	N/A	N/A	N/A	1/1
Mr. Wong Tat Sum, Samuel	3/4	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mdm. Lam Hsieh Lee Chin, Linda <i>(Member of Audit Committee)</i>	3/4	N/A	2/2	N/A	1/1
Mr. Li Kwok Sing, Aubrey <i>(Chairman of Audit Committee and Member of Remuneration Committee and Nomination Committee)</i>	4/4	1/1	2/2	1/1	1/1
Mr. Sit Hoi Wah, Kenneth <i>(Chairman of Remuneration Committee and Member of Audit Committee and Nomination Committee)</i>	4/4	1/1	2/2	1/1	1/1

Note:

Besides the 2015 AGM held on 22 December 2015, no other general meeting was held during the Year.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Number of Meetings and Directors' Attendance (Continued)

Apart from the above-mentioned Board meetings, the Chairman of the Board held a meeting with all the Independent Non-executive Directors without the presence of the Executive Directors during the Year for discussing, amongst other matters the Directors' time commitments and contribution in performing their responsibilities to the Company, and the Group's strategy.

### Practices and Conduct of Meetings

The schedules for annual regular Board meetings and draft agenda of each meeting are normally made available to the Directors in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution at the meeting.

Notices of regular Board meetings are served on all Directors at least 14 days before the meetings. For other Board meetings and the Board committee meetings, reasonable notice is generally given.

Board papers are sent to all Directors to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions in accordance with the Code Provisions as stipulated in the Code. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The management has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

The senior management members are invited to attend Board and Board committee meetings to report on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and Board committee meetings. Minutes of meetings of the Board and the Board committees record in detail the matters considered and the decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft minutes are normally circulated for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

# CORPORATE GOVERNANCE REPORT

## BOARD PERFORMANCE EVALUATION

To ensure effective performance of the Board, the Company considers putting in place a mechanism to conduct a performance evaluation of the Board as a whole its Board committees and individual Directors including the chairman annually commencing from the Year.

### Evaluation process

The chairman of the Nomination Committee, in conjunction with the Chairman of the Board, will conduct an annual assessment of the effectiveness of the Board as a whole, the effectiveness of its Board committees and the contribution by each individual Director. There are three components to this assessment:

- A. Self assessment;
- B. Board assessment; and
- C. Peer evaluations.

The chart below indicates who is involved in the various performance evaluations:

Evaluating	Evaluator		
	Chairman of the Board	Chairperson of the Nomination Committee	Individual Directors
Board performance	√	–	√
Committee performance	–	–	Members of the individual committees
Chairman of the Board	–	–	√
Chairman/Chairperson of Board committees	–	–	Members of the individual committees
Individual Director performance (including self-assessments)	√	√	√

### Board performance criteria

The performance criteria for the Board evaluation are as follows:

- Board size and composition
- Board independence
- Board processes
- Board information and accountability
- Board performance in relation to discharging its principal functions
- Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference
- Financial targets which include profit before tax, profit after tax, dividend pay-out ratio, and total shareholder return (i.e. dividend plus share price increase over the year)

# CORPORATE GOVERNANCE REPORT

## BOARD PERFORMANCE EVALUATION (CONTINUED)

### Individual Director's performance criteria

The individual Director's performance criteria are categorised into five segments; namely,

- Interactive skills (whether the Director works well with other Directors and participates actively).
- Knowledge (the Director's industry and business knowledge, functional expertise, ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts as well as whether the Director provides valuable inputs, are taken into consideration).
- Director's duties (the Director's Board committee work contribution, whether the Director takes his/her role as Director seriously and works to further improve his/her own performance, whether he/she listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration).
- Availability (the Director's attendance at Board and Board committee meetings, whether the Director is available when needed, and his/her informal contribution via email, telephone, written notes etc. are considered).
- Overall contribution, bearing in mind that each Director was appointed for his/her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

The assessment of the Chairman of the Board is based on his ability to lead, whether he has:

- Established proper procedures to ensure the effective functioning of the Board.
- Ensured that the time devoted to Board meetings was appropriate (in terms of the number of meetings held in a year and the duration of each Board meeting) for effective discussion and decision-making by the Board.
- Ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions.
- Guided discussions effectively so that there was timely resolution of issues.
- Ensured that the Board meetings were conducted in a manner that facilitated open communication and meaningful participation.
- Ensured that Board committees were formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

The performance of individual Directors is taken into account in their re-appointment. Specific needs which arise from time to time are taken into account in any appointment of new Directors.

## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for governing the Directors' dealings in securities.

Following a specific enquiry made of all the Directors by the Company, each of the Directors has confirmed that he/she had complied with the Model Code throughout the Year.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable financial reporting standards are complied with.

The Board has received from the management explanation and relevant information which enable the Board to make an informed assessment for approving the financial statements.

### INDEPENDENT AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" on pages 37 and 38 of this annual report.

Particulars of the remuneration paid/payable to the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, for the Year are set out below:

<u>Category of Services</u>	<u>Fee paid/payable</u>
	<i>HK\$'000</i>
Audit services	850
Non-audit services	
– Interim review	130
– Tax compliance	44
	<hr/>
	1,024
	<hr/>



## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

During the second half of the Year, the Board complied with certain new Code Provisions on risk management and internal control as set out in the Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for (i) safeguarding assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board through the Audit Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out an analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGMs and other general meetings. The Chairman of the Board, all other Executive Directors, Independent Non-executive Directors, and the Chairmen of all Board committees (or their delegates) will make themselves available at the AGMs to meet Shareholders and answer their enquiries.

The Shareholders' communication policy of the Company sets out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. The Company will update the Shareholders' communication policy and start to perform the annual review commencing from the year ending 30 September 2017.

The 2015 AGM was held on 22 December 2015. The notice of 2015 AGM was sent to Shareholders at least 20 clear business days before the 2015 AGM.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

The Chairman of the Board as well as the Chairmen of the Remuneration Committee, Nomination Committee and Audit Committee or, in their absence, other members of the respective committees, and the Company's independent auditor have attended the 2015 AGM to answer Shareholders' questions.

To promote effective communication, the Company maintains its website at <http://www.pokfulam.com.hk>, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Company continues to enhance communication and relationships with its investors. The Company's senior management has undertaken the role of establishing an effective communication system. They are responsible for responding to the enquiries from the Shareholders/investing public or the media from time to time.

## CONSTITUTIONAL DOCUMENTS

During the Year, there was no change in the Company's constitutional documents.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than purely administrative or procedural matters) are taken by poll and poll results are posted on the respective websites of the Company and the Stock Exchange after the Shareholders' meetings.

### Convening a General Meeting by Shareholders

General meetings may be convened by the Directors on requisition of Shareholder(s) holding not less than one-twentieth of the total voting rights of all Shareholders or by such Shareholder(s) who has/have made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to the Companies Ordinance (the "CO"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the CO for convening a general meeting.

### Putting Forward Proposals at General Meetings

Pursuant to the CO, Shareholders representing not less than one-fortieth of the total voting rights of all Shareholders, or not less than 50 Shareholders holding shares in the Company on which there has been paid up an average sum, per Shareholder, of not less than HK\$2,000, may make requisition in writing for circulating a copy of the statement concerning the proposed resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in the CO for putting forward a proposal at a general meeting.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS (CONTINUED)

### Putting Forward Enquiries to the Board

Shareholders who have enquiries about the procedures for convening a general meeting or putting forward proposals at general meetings may write to the Company Secretary.

Shareholders may send written enquiries to the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

#### *Contact Details*

The Company Secretary  
Pokfulam Development Company Limited  
23rd Floor, Beverly House  
93-107 Lockhart Road  
Wanchai  
Hong Kong  
Email: pdcl@pokfulam.com.hk  
Tel No.: (852) 2520-1010  
Fax No.: (852) 2865-0804

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the Code including the following:

- To develop, review and update the Company's policies and practices on corporate governance.
- To review and monitor the training and continuous professional development of Directors and senior management.
- To review and monitor the Company's policies and practices in compliance with legal and regulatory requirements.

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE FUNCTIONS (CONTINUED)

- To develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors.
- To review the Company's compliance with the Code and disclosure in the corporate governance report.
- To perform such other corporate governance duties and functions set out in the Code for which the Board is responsible.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and the Employees Written Guidelines, and the Code and disclosure in this corporate governance report.

### COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures as well as all applicable laws, rules and regulations are followed.

During the Year, Mr. Hui Sui Yuen, the Company Secretary, has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

### CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community well-being from time to time and encourages its employees to participate in charitable events.

## REPORT OF THE DIRECTORS

The directors of Pokfulam Development Company Limited (the “Company” and the “Directors”, respectively) present their annual report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 30 September 2016 (the “Year”).

### PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding. The principal activities of the Company’s subsidiaries and joint venture entity are set out in notes 27 and 17 to the consolidated financial statements respectively.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

An interim dividend of HK4 cents per share amounting to HK\$4,407,000 was paid to the shareholders of the Company (the “Shareholders”) during the Year. The Directors now recommend the payment of a final dividend of HK25 cents per share, amounting to HK\$27,545,000, to the Shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 5 January 2017.

### BUSINESS REVIEW

The Group is principally engaged in the businesses of property investment and mainly focuses on property investment in Hong Kong. The long term strategy of the Group aims to generate recurring rental income sufficient to cover its operating overheads including administration expenses, finance costs and dividends. Please refer to the “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report for business review of the Group in detail.

One of the principal risks facing property investors is an adverse change in the value of the investment properties. The Group consistently maintains the asset-backed borrowings at reasonable loan-to-value ratios to weather any hard time during economic downturn. For details of management of financial risks and capital by the Group, please refer to notes 5 and 6 to the consolidated financial statements.

In the years ahead, the Group is prepared to further enhance the investment property portfolios for generating recurring rental income through acquisition of completed properties should opportunities arise.

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, Cap. 486 of the laws of Hong Kong, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, Cap. 57 of the laws of Hong Kong, the Minimum Wage Ordinance, Cap. 608 of the laws of Hong Kong and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the above Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees, tenants and owners of properties under its management.

The Group is committed to building an environmental-friendly corporation with the aim to conserve natural resources. The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Group will continue to review and promote its environmental policies.

## REPORT OF THE DIRECTORS

On the corporate level, the Group complies with the requirements under the Companies Ordinance, Cap. 622 of the laws of Hong Kong (the “Companies Ordinance”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the “SFO”) for, among other things, the disclosure of information and corporate governance, and the Group 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.

Information about a fair review of, and an indication of likely future development in, the Group’s business is set out in the “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

### KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

#### Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

#### Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve the performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapse of service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

#### Key Relationships with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Year.

The Group encompasses working relationships with suppliers to meet our customers’ needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group’s requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis of customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

# REPORT OF THE DIRECTORS

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Liquidity and financial resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Shareholders' funds as at 30 September 2016 were HK\$4,610.8 million (2015: HK\$4,385.6 million).

As at 30 September 2016, the Group's total bank balances and cash amounted to HK\$199.9 million (2015: HK\$173.5 million), of which over 92% (2015: 38%) was denominated in Hong Kong dollars, and 7% (2015: 61%) was denominated in Renminbi. The Group's foreign exchange exposure was not significant given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

As at 30 September 2016, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK\$70.0 million (2015: HK\$70.0 million).

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

	2016	2015
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	<u>70.0</u>	<u>70.0</u>

The Group's bank term loan of HK\$70.0 million (that is repayable within one year after 30 September 2016 and the relevant loan agreement contains a repayment on demand clause) is classified under current liabilities. The bank loan carries interest at Hong Kong InterBank Offer Rate (HIBOR) plus a margin.

As at 30 September 2016, the Group had undrawn banking facilities of HK\$420.0 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

#### Gearing and Charge on Assets

As at 30 September 2016, the debt to equity ratio, based on the Group's total borrowing of HK\$70.0 million and the Shareholders' funds of HK\$4,610.8 million, was 1.5%, as compared with 1.6% on 30 September 2015.

As at 30 September 2016, investment properties and properties for own use of the Group with an aggregate carrying value of HK\$4,054.9 million and HK\$2.7 million respectively were pledged to banks to secure the general banking facilities granted to the Group.



## REPORT OF THE DIRECTORS

### Commitments

Particulars of the commitments of the Group are set out in note 28 to the consolidated financial statements.

### Employees and Remuneration Policies

As at 30 September 2016, the Group had 100 employees (2015: 96). The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK\$19.3 million (2015: HK\$17.1 million). There has been no change in 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.

### RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 41 of this annual report and in note 27 to the consolidated financial statements respectively.

As at 30 September 2016, the Company's reserves available for distribution to Shareholders represented the retained profits of HK\$1,213.3 million (2015: HK\$1,214.0 million).

### SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

### FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years, as extracted from the published audited financial statements, is set out on page 99 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers of the Group accounted for less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 68% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 38%.

At no time during the Year did a Director, a close associate of a Director or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

### DIRECTORS

The Directors during the Year and up to the date of this report are:

#### Executive Directors

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

#### Independent Non-executive Directors

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

In accordance with article 119 of the Company's articles of association (the "Articles of Association"), Mr. Wong Tat Kee, David and Mdm. Lam will retire by rotation from the office at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and, being eligible, offer themselves for re-election.

## REPORT OF THE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual written confirmation of independence in accordance with Rule 3.13 of the Listing Rules. Notwithstanding that Mdm. Lam, Mr. Li and Mr. Sit have served as Independent Non-executive Directors for more than nine years, they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and have never been involved in the daily management of the Company nor are they in any relationships or circumstance which would interfere with the exercise of their independent judgment. The nomination committee of the Company has assessed and is satisfied with the independence of Mdm. Lam, Mr. Li and Mr. Sit. Hence, the board of Directors (the "Board") is of the opinion that all the Independent Non-executive Directors remain independent within the definition of the Listing Rules by reference to the factors stated therein.

The biographical details of the Directors and senior management are set out on pages 6 and 7 of this annual report.

### DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of the subsidiaries of the Company during the Year and up to the date of this report are as follows:

- Mr. Wong Tat Chang, Abraham
- Mr. Wong Tat Kee, David
- Mr. Wong Tat Sum, Samuel
- Mr. Wong Chin Yee
- Mr. Hui Sui Yuen
- Ms. Sung Kwan Yuk, Katherine
- Mr. Wong Kar Lung, Kenneth
- Mr. Yu Tsz Hang

### PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 (Note 1)	Other interests (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%

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

Name of directors/chief executive	Number of ordinary shares held		Total	Approximate percentage of interest in the issued shares of EHL
	Personal interests	Other interests (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 executive Directors (the “Executive Directors”).

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company, nor their respective 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 the SFO) as recorded in the register required 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.

### CONNECTED TRANSACTION

On 10 April 2012, the Company entered into a letter of award with B.L. Wong & Co., Ltd (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 approximately HK\$28,608,000 (the "Letter of Award"). Each of the three Executive Directors (who are brothers) held beneficiary interests in the Contractor. Accordingly, the Contractor is an associate of the Executive Directors and a connected person of the Company under the Listing Rules. The entering into of the Letter of Award by the Company therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Further details regarding the Letter of Award were set out in the Company's announcement dated 10 April 2012.

Details of the above connected transaction made during the Year are also set out in note 32 to the consolidated financial statements headed "Related party transactions".

### RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 32 to the consolidated financial statements. One of the related party transactions also constituted connected transaction as defined in Chapter 14A of the Listing Rules and its details are disclosed in this report.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

### SERVICE AND MANAGEMENT CONTRACTS

On 1 April 2015, except for Mr. Wong Tat Sum, Samuel, each of the Directors entered into a letter of appointment with the Company for a term of three years commencing on 1 April 2015 and is subject to retirement and re-election at the Annual General Meetings pursuant to the Articles of Association.

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## REPORT OF THE DIRECTORS

Other than disclosed above, no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the Year or subsisted at the end of the Year.

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 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 executives, the following shareholder had notified the Company of relevant interests in the issued shares of the Company:

<u>Name</u>	<u>Number of ordinary shares in the Company</u>	<u>Approximate percentage of interest in the issued shares of the Company</u>
Madison Profits Limited	22,827,632 ( <i>Note</i> )	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. Messrs. Chan Wai Tong, Christopher, Jong Yat Kit and 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 chief executive of the Company, 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.

### SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, the Company did not redeem any of its shares listed and traded on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## REPORT OF THE DIRECTORS

### RETIREMENT BENEFIT SCHEME

The Group operates the mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in accordance with the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the laws of Hong Kong (the “MPF Ordinance”). The assets of the MPF Scheme are held separately from those of the Group, and in funds under the control of trustees.

The Group’s contributions to the MPF Scheme were calculated at 5% of the employee’s monthly relevant income. Any contributions which exceed the contributions required under the MPF Ordinance are paid to the MPF Scheme as voluntary contribution.

Contributions to the MPF Scheme for the Year made by the Group amounted to HK\$700,000 (2015: HK\$661,000).

Save as aforementioned, no retirement benefits were paid or are payable by the Group in respect of the Year.

### CORPORATE GOVERNANCE

The Company’s key corporate governance practices are set out in the Corporate Governance Report on pages 8 to 25 of this annual report.

### REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “Audit Committee”) comprises all the three Independent Non-executive Directors, namely Mr. Li (Chairman), Mdm. Lam and Mr. Sit. The Audit Committee has reviewed with the management the Group’s consolidated financial statements for the Year and this annual report, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, risk management, internal control and financial reporting matters of the Group, in conjunction with the Company’s external auditor.

### EMOLUMENT POLICY/TRAINING

The Company has established a remuneration committee with written terms of reference pursuant to the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The remuneration committee is principally responsible for formulating and making recommendations to the Board on all remuneration of Directors and senior management on the Group’s emolument policy.

The emoluments of employees of the Group are determined on the basis of their performance, experience and prevailing industry practices.

The Company determines the emoluments of the Directors on the basis of their time commitment and duties, the market competitiveness, the employment conditions elsewhere in the Group as well as the Board’s corporate goals and objectives.

Details of the emoluments of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 13 and 14 to the consolidated financial statements, respectively.

## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float (i.e. at least 25% of the issued shares were held by the public) throughout the Year and up to the date of this report.

### CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on Thursday, 22 December 2016. For determining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the Register of Members will be closed from Tuesday, 20 December 2016 to Thursday, 22 December 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, 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 Monday, 19 December 2016.

### CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the Year is subject to the approval by the Shareholders at the Annual General Meeting. For determining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Tuesday, 3 January 2017 to Thursday, 5 January 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final 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 Friday, 30 December 2016.

### INDEPENDENT AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Wong Tat Chang, Abraham**  
*Chairman and Managing Director*

Hong Kong, 11 November 2016



## INDEPENDENT AUDITOR'S REPORT



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

We have audited the consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries set out on pages 39 to 98, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 September 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
11 November 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		2016	2015
	NOTES	HK\$'000	HK\$'000
Revenue	7	146,515	132,473
Cost of goods sold		(21,639)	(17,762)
Cost of rental and other operations		(28,913)	(31,512)
		95,963	83,199
Other income		32,743	35,789
Other expense		(6,134)	(8,491)
Selling and marketing expenses		(1,743)	(1,837)
Administrative expenses		(13,259)	(11,120)
Finance costs	8	(2,087)	(2,054)
Profit before changes in fair value of investments held for trading and investment properties		105,483	95,486
Decrease in fair value of investments held for trading		(1,514)	(1,950)
Increase in fair value of investment properties		169,850	101,523
		273,819	195,059
Share of loss of a joint venture		(861)	(11,681)
Profit before tax	9	272,958	183,378
Income tax expense	10	(13,268)	(10,849)
Profit for the year		259,690	172,529
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(1,874)	(1,648)
Exchange loss arising from long term advances to a joint venture		(2,191)	(2,834)
		(4,065)	(4,482)
Total comprehensive income for the year		255,625	168,047
<b>Profit for the year attributable to:</b>			
Owners of the Company		259,012	172,434
Non-controlling interests		678	95
		259,690	172,529
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		254,947	167,952
Non-controlling interests		678	95
		255,625	168,047
		HK\$	HK\$
Earnings per share – basic	12	2.35	1.57

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

		2016	2015
	NOTES	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Investment properties	15	4,327,154	4,134,199
Property, plant and equipment	16	4,911	4,606
Interest in a joint venture	17	14,551	13,834
Amount due from a joint venture	17	146,329	135,007
Deposits and prepayments		–	1,362
Available-for-sale investment	18	8,000	8,000
		<b>4,500,945</b>	<b>4,297,008</b>
<b>Current Assets</b>			
Inventories	19	8,089	7,575
Investments held for trading	20	42,981	44,495
Loan to a joint venture	17	12,201	10,739
Trade and other receivables	21	12,186	8,685
Deposits and prepayments		5,117	5,895
Bank balances and cash	22	199,873	173,533
		<b>280,447</b>	<b>250,922</b>
<b>Current Liabilities</b>			
Trade and other payables	23	22,439	21,856
Rental and management fee deposits		25,391	23,998
Provision for taxation		10,386	9,189
Bank loans, secured	25	70,000	70,000
		<b>128,216</b>	<b>125,043</b>
<b>Net Current Assets</b>		<b>152,231</b>	<b>125,879</b>
<b>Total Assets less Current Liabilities</b>		<b>4,653,176</b>	<b>4,422,887</b>
<b>Capital and Reserves</b>			
Share capital	24	146,134	146,134
Reserves		4,464,652	4,239,453
<b>Equity attributable to owners of the Company</b>		<b>4,610,786</b>	<b>4,385,587</b>
<b>Non-controlling interests</b>		<b>8,692</b>	<b>8,014</b>
<b>Total Equity</b>		<b>4,619,478</b>	<b>4,393,601</b>
<b>Non-current Liability</b>			
Deferred taxation	26	33,698	29,286
		<b>4,653,176</b>	<b>4,422,887</b>

The consolidated financial statements on pages 39 to 98 were approved and authorised for issue by the Board of Directors on 11 November 2016 and are signed on its behalf by:

Wong Tat Chang, Abraham  
DIRECTOR

Wong Tat Sum, Samuel  
DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Attributable to the owners of the Company				Non- controlling interests	Total
	Share capital	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>THE GROUP</b>						
At 1 October 2014	146,134	15,373	4,085,876	4,247,383	7,919	4,255,302
Profit for the year	–	–	172,434	172,434	95	172,529
Exchange difference arising on translation of foreign operations	–	(1,648)	–	(1,648)	–	(1,648)
Exchange loss arising from long term advances to a joint venture	–	(2,834)	–	(2,834)	–	(2,834)
Total comprehensive income (expense) for the year	–	(4,482)	172,434	167,952	95	168,047
Final dividend for 2014 paid	–	–	(25,341)	(25,341)	–	(25,341)
Interim dividend for 2015 paid	–	–	(4,407)	(4,407)	–	(4,407)
At 30 September 2015	146,134	10,891	4,228,562	4,385,587	8,014	4,393,601
Profit for the year	–	–	259,012	259,012	678	259,690
Exchange difference arising on translation of foreign operations	–	(1,874)	–	(1,874)	–	(1,874)
Exchange loss arising from long term advances to a joint venture	–	(2,191)	–	(2,191)	–	(2,191)
Total comprehensive income (expense) for the year	–	(4,065)	259,012	254,947	678	255,625
Final dividend for 2015 paid	–	–	(25,341)	(25,341)	–	(25,341)
Interim dividend for 2016 paid	–	–	(4,407)	(4,407)	–	(4,407)
At 30 September 2016	146,134	6,826	4,457,826	4,610,786	8,692	4,619,478

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>		
Profit before tax	272,958	183,378
Adjustments for:		
Increase in fair value of investment properties	(169,850)	(101,523)
Decrease in fair value of investments held for trading	1,514	1,950
Gain on disposal of property, plant and equipment	(175)	(61)
Depreciation on property, plant and equipment	943	1,208
Dividend income from an investee company classified as an available-for-sale investment	(22,331)	(23,732)
Imputed interest income on amount due from a joint venture	(4,603)	(4,590)
Interest income	(3,574)	(5,078)
Dividend income	(1,578)	(2,913)
Finance costs	2,087	2,054
Share of loss of a joint venture	861	11,681
Operating cash flows before movements in working capital	76,252	62,374
Increase in inventories	(514)	(191)
Increase in trade and other receivables, deposits and prepayments	(2,723)	(1,833)
Increase in trade and other payables, rental and management fee deposits	132	7,735
Cash from operations	73,147	68,085
Interest received	1,510	4,011
Dividend received	1,578	2,913
Hong Kong Profits Tax paid, net	(7,575)	(7,267)
<b>Net cash from operating activities</b>	<b>68,660</b>	<b>67,742</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,318)	(710)
Proceeds on disposal of property, plant and equipment	245	87
Addition of investment properties	(20,418)	(15,943)
Dividend received from an investee company classified as an available-for-sale investment	22,331	23,732
Advance to a joint venture	(11,429)	(5,991)
<b>Net cash (used in) from investing activities</b>	<b>(10,589)</b>	<b>1,175</b>
<b>Financing activities</b>		
New bank loan raised	–	20,000
Repayment of bank loan	–	(35,000)
Dividends paid	(29,748)	(29,748)
Interest paid	(1,568)	(1,828)
<b>Net cash used in financing activities</b>	<b>(31,316)</b>	<b>(46,576)</b>
<b>Net increase in cash and cash equivalents</b>	<b>26,755</b>	<b>22,341</b>
Cash and cash equivalents at the beginning of the financial year	173,533	151,508
Effect of foreign exchange rate changes	(415)	(316)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>199,873</b>	<b>173,533</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	199,873	173,533

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 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 Company and its subsidiaries are together referred to as the Group.

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

The address of the registered office and the principal place of business of the Company is 23rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

There is no new, revised or amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applied by the Group for the first time in the current year.

### New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>5</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 9 Financial Instruments (Continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group’s available-for-sale equity investments that are currently stated at cost less impairment. At the date of issuance of these financial statements, the directors of the Company are in the process of assessing the potential financial impact.

#### *HKFRS 15 Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and revised HKFRSs in issue but not yet effective (Continued)

### *HKFRS 15 Revenue from Contracts with Customers (Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than disclosed above, the directors of the Company do not anticipate that the application of these amendments will have a material impact on the amount recognised in the Group’s financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The 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 explained in the accounting policies set out below.

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment in a joint venture (Continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment in a joint venture (Continued)

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs of disposal and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets*

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Financial assets at FVTPL

Financial assets at FVTPL of the Group are financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a joint venture, loan to a joint venture, trade and other receivables and bank balances and cash), are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

##### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or amount due from a subsidiary is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to subsidiaries and bank loan are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business.

Building management fees income are recognised when services are provided.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### Retirement benefit scheme

Payments to defined contribution retirement benefit plans (i.e. the Mandatory Provident Fund Scheme) are recognised as an expense when employees have rendered service entitling them to the contributions.

### Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties situated in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in the People's Republic of China ("PRC") are held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties situated in the PRC but is not rebutted for properties situated in Hong Kong. As a result, the Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties. The presumption that the carrying amount of the Group's investment properties in the PRC is to recover through sale rather than through use has been rebutted and deferred tax on the changes in fair value is recognised according to the relevant tax rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty

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

#### *Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 30 September 2016 at their fair value, details of which are disclosed in note 15. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and other comprehensive income and the carrying amount of these properties included in the consolidated statement of financial position. The carrying amount of investment properties at 30 September 2016 is HK\$4,327,154,000 (2015: HK\$4,134,199,000).

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include the bank loan disclosed in note 25, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital and will adjust its overall capital structure through dividend payments, issuing new shares as well as issue of new debts or repayment of existing debt, if necessary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2016	2015
	HK\$'000	HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	370,589	327,964
Available-for-sale investment	8,000	8,000
Investments held for trading	42,981	44,495
<b>Financial liabilities</b>		
At amortised cost	91,027	90,699

### b. Financial risk management objective and policies

The Group's financial instruments include available-for-sale investment, investments held for trading, trade and other receivables, bank balances and cash, amount due from a joint venture, loan to a joint venture, trade and other payables, and bank loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### (i) Currency risk

Certain loans and receivables are denominated in foreign currencies of the relevant group entities. They expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objective and policies (Continued)

#### *Market risk (Continued)*

#### (i) Currency risk (Continued)

At the end of reporting periods, the carrying amounts of the Group's monetary assets denominated in currencies other than respective functional currencies of the relevant group entities are as follows:

	2016	2015
	HK\$'000	HK\$'000
Renminbi ("RMB")	78,267	176,252

#### Sensitivity analysis

The Group is mainly exposed to a foreign currency risk arising from monetary assets that are denominated in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against RMB. 5% (2015: 5%) is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items at the end of the reporting periods for a 5% (2015: 5%) change in RMB. A negative number below indicates a decrease in post-tax profit where HKD strengthen 5% (2015: 5%) against RMB. For a 5% (2015: 5%) weakening of the HKD against RMB, there would be an equal and opposite impact on the profits.

	2016	2015
	HK\$'000	HK\$'000
RMB	(3,268)	(7,359)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objective and policies (Continued)

#### *Market risk (Continued)*

#### (ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate loan to a joint venture (see note 17 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to a floating-rate bank loan and bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's loans.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments (variable rate bank loan) at the end of the reporting period. In the opinion of directors of the Company, no sensitivity analysis for bank balances is prepared as the effect of fluctuation of interest rate is not significant.

The analysis is prepared assuming the amount of the bank loan outstanding at the end of the reporting period were outstanding for the whole year. 50 (2015: 50) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 September 2016 would decrease/increase by approximately HK\$292,000 (2015: HK\$292,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objective and policies (Continued)

#### *Market risk (Continued)*

#### (iii) Other price risk

The Group are exposed to equity price risk primarily through the investments held for trading. The management manages this exposure by maintaining a portfolio of investments with different risks.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date for investments held for trading.

If the prices of the respective equity instruments had been 20% (2015: 20%) higher/lower, the Group's profit for the year ended 30 September 2016 would increase/decrease by approximately HK\$7,178,000 (2015: increase/decrease by approximately HK\$7,431,000) as a result of the changes in fair value of held-for-trading investments.

#### *Credit risk*

As at 30 September 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Transactions with banks are limited to high credit rating financial institutions. The Group monitors its credit risk in respect of amount due from a joint venture through jointly controlling its financial and operating policy decisions and reviewing its financial condition. In this regard, the directors of the Company consider that the Group's credit risk are significantly reduced.

The Group has concentration of credit risk of the amount due from a joint venture which is engaged in the property development in the PRC.

Other than concentration of credit risk on amount due from a joint venture, the Group has no significant concentration of credit risk in respect of trade and other receivables, with exposure spread over a number of counterparties and customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objective and policies (Continued)

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank loan. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure sufficient working capital are maintained and adequate committed lines of funding from reputable financial institutions to meet its liquidity requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

#### Liquidity tables

	Within 1 year or on demand	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000
<b>2016</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	21,027	21,027	21,027
Rental and management fee deposits	25,391	25,391	25,391
Bank loan at variable rate	70,000	70,000	70,000
	<b>116,418</b>	<b>116,418</b>	<b>116,418</b>
	Within 1 year or on demand	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000
<b>2015</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	20,699	20,699	20,699
Rental and management fee deposits	23,998	23,998	23,998
Bank loan at variable rate	70,000	70,000	70,000
	<b>114,697</b>	<b>114,697</b>	<b>114,697</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objective and policies (Continued)

#### Liquidity risk (Continued)

Liquidity tables (Continued)

Bank loan with a repayment on demand clause is included in the “within 1 year or on demand” time band in the above maturity analysis. As at 30 September 2016, the principal amount of such bank loan amounted to HK\$70,000,000 (2015: HK\$70,000,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank loan is expected to be fully repaid in January 2017 (2015: January 2016) in accordance with the loan repayment schedule. On this basis, the aggregate principal and interest for the bank loan would be as follows:

	0 to 3 months	4 to 12 months	1 to 2 years	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2016</b>					
Bank loan at variable rate	400	70,073	–	70,473	70,000
<b>2015</b>					
Bank loan at variable rate	400	70,073	–	70,473	70,000

The amounts included above for variable rate bank loan are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### c. Fair value measurement

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and are traded on active liquid markets are determined with reference to quoted market bid prices.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 7. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rentals and building management fees	111,791	101,089
Sale of goods	33,146	28,471
Dividend income from securities investments held for trading	1,578	2,913
	<b>146,515</b>	<b>132,473</b>

The Group's operating segments based on information reported to the chief operating decision maker (managing director) for the purpose 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Year ended 30 September 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	111,791	33,146	1,578	146,515	–	146,515
Inter-segment	1,632	273	–	1,905	(1,905)	–
	113,423	33,419	1,578	148,420	(1,905)	146,515
Segment profit (Note)	260,246	2,815	86	263,147	–	263,147
Other income						31,355
Other expense						(6,134)
Central administrative costs						(12,462)
Finance costs						(2,087)
Share of loss of a joint venture						(861)
Profit before tax						272,958

Note: Segment profit of property investment and management division included an increase in fair value of investment properties of HK\$169,850,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 30 September 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	101,089	28,471	2,913	132,473	-	132,473
Inter-segment	1,648	-	-	1,648	(1,648)	-
	102,737	28,471	2,913	134,121	(1,648)	132,473
Segment profit (Note)	179,195	1,912	985	182,092	-	182,092
Other income						34,246
Other expense						(8,491)
Central administrative costs						(10,734)
Finance costs						(2,054)
Share of loss of a joint venture						(11,681)
Profit before tax						183,378

Note: Segment profit of property investment and management division included an increase in fair value of investment properties of HK\$101,523,000.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit represents the profit earned 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 and share of loss of a joint venture. 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 regularly reported to the chief operating decision maker in the resource allocation and assessment of performance processes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information

Amounts included in the measure of segment profit:

#### Year ended 30 September 2016

	Property investment and management	Trading of goods	Securities investment
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	607	79	–
Gain on disposal of property, plant and equipment	(175)	–	–
Decrease in fair value of investments held for trading	–	–	1,514

#### Year ended 30 September 2015

	Property investment and management	Trading of goods	Securities investment
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	693	69	–
Gain on disposal of property, plant and equipment	(61)	–	–
Decrease in fair value of investments held for trading	–	–	1,950

### Geographical information

Substantially all of the Group's non-current assets (based on the location of assets) and revenue attributable to customers (based on the location of goods delivered and services provided) are located in Hong Kong in both years and, therefore, no geographical segments are presented.

### Information about major customers

There are no major customers contributing over 10% of the Group's revenue in both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 8. FINANCE COSTS

The amount represent interest on a bank loan for both years.

### 9. PROFIT BEFORE TAX

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	904	899
Gain on disposal of property, plant and equipment	(175)	(61)
Depreciation on property, plant and equipment	943	1,208
Staff costs (including directors' emoluments)	19,281	17,118
Imputed interest income on amount due from a joint venture	(4,603)	(4,590)
Interest income from loan to a joint venture	(2,064)	(1,294)
Bank interest income	(1,510)	(3,784)
Foreign exchange loss, net	6,134	8,491
Dividend income from an investee company classified as an available-for-sale investment	(22,331)	(23,732)
Gross rental income	(102,461)	(96,111)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	9,735	11,364
	<b>(92,726)</b>	<b>(84,747)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 10. INCOME TAX EXPENSE

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense comprises:		
Company and subsidiaries		
Hong Kong Profits Tax:		
– Current tax	9,419	8,454
– Overprovision in prior year	(563)	(453)
	8,856	8,001
Deferred tax charge ( <i>note 26</i> )	4,412	2,848
	<b>13,268</b>	<b>10,849</b>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	272,958	183,378
Tax at Hong Kong Profits Tax rate of 16.5%	45,038	30,257
Tax effect of non-deductible expenses	1,532	1,785
Tax effect of non-taxable income	(32,745)	(22,660)
Overprovision in prior year	(474)	(453)
Effect of share of loss of a joint venture	142	1,927
Tax effect of utilisation of tax losses previously not recognised	–	(45)
Tax effect of tax losses not recognised	6	8
Others	(231)	30
Income tax expense	<b>13,268</b>	<b>10,849</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 11. DIVIDENDS

	2016	2015
	HK\$'000	HK\$'000
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2015 of HK23 cents per ordinary share (2015: for the year ended 30 September 2014 of HK23 cents per ordinary share)	25,341	25,341
Interim dividend for the year ended 30 September 2016 of HK4 cents per ordinary share (2015: for the year ended 30 September 2015 of HK4 cents per ordinary share)	4,407	4,407
	<b>29,748</b>	<b>29,748</b>
Dividend proposed:		
Final dividend for the year ended 30 September 2016 of HK25 cents per ordinary share (2015: for the year ended 30 September 2015 of HK23 cents per ordinary share)	27,545	25,341

The final dividend of HK25 cents (2015: HK23 cents) per share has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$259,012,000 (2015: HK\$172,434,000) and on 110,179,385 (2015: 110,179,385) ordinary shares in issue during the year.

There are no potential ordinary shares in issue during both years and at the end of the reporting periods.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the six (2015: six) directors of the Company are as follows:

	Fees	Basic salaries, Contributions allowances and benefits- in-kind	to retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 30 September 2016</b>				
<i>Executive Directors:</i>				
Wong Tat Chang, Abraham	100	1,974	20	2,094
Wong Tat Kee, David	80	–	–	80
Wong Tat Sum, Samuel	80	–	–	80
<i>Independent non-executive Directors:</i>				
Lam Hsieh Lee Chin, Linda	80	20	–	100
Li Kwok Sing, Aubrey	80	95	–	175
Sit Hoi Wah, Kenneth	80	70	–	150
	<b>500</b>	<b>2,159</b>	<b>20</b>	<b>2,679</b>
<b>Year ended 30 September 2015</b>				
<i>Executive Directors:</i>				
Wong Tat Chang, Abraham	100	1,914	51	2,065
Wong Tat Kee, David	70	–	–	70
Wong Tat Sum, Samuel	70	–	–	70
<i>Independent non-executive Directors:</i>				
Lam Hsieh Lee Chin, Linda	70	20	–	90
Li Kwok Sing, Aubrey	70	95	–	165
Sit Hoi Wah, Kenneth	70	70	–	140
	<b>450</b>	<b>2,099</b>	<b>51</b>	<b>2,600</b>

Mr. Wong Tat Chang, Abraham is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2015: one) was a director of the Company whose emoluments have been included in note 13 above. The emoluments of the remaining four (2015: four) individuals were as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances and benefits-in-kind	3,019	2,851
Performance related bonus	705	475
Contributions to retirement benefit scheme	88	88
	<b>3,812</b>	<b>3,414</b>

Their emoluments were within the following bands:

	2016	2015
	No. of employees	No. of employees
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	1

### 15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>FAIR VALUE</b>	
At 1 October 2014	4,018,631
Addition during the year	14,045
Increase in fair value recognised in the profit or loss	101,523
At 30 September 2015	<b>4,134,199</b>
Addition during the year	23,105
Increase in fair value recognised in the profit or loss	169,850
At 30 September 2016	<b>4,327,154</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 15. INVESTMENT PROPERTIES (CONTINUED)

- (a) All of the Group's property interests in land held under operating leases to earn rentals are classified and accounted for as investment properties and measured using the fair value model.
- (b) An analysis of the increase (decrease) in fair value of investment properties is set out below:

	2016	2015
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	122,785	43,829
Commercial	37,430	36,006
Industrial	7,500	24,450
Properties located in the PRC:		
Residential	2,135	(2,762)
	<b>169,850</b>	<b>101,523</b>

### (c) Fair value measurements and valuation processes

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

The Group's investment properties at 30 September 2016 and 30 September 2015 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by DTZ Debenham Tie Leung Limited, which is a firm of independent professional valuers not connected with the Group, a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method and income capitalisation method, where appropriate. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 15. INVESTMENT PROPERTIES (CONTINUED)

### (c) Fair value measurements and valuation processes (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as 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.

As at 30 September 2016

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties in Hong Kong	Level 3	Direct comparison method  The key input is  (1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of ranging from HK\$460,000 to HK\$900,000 per unit for car park spaces.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Investment properties in Hong Kong	Level 3	Income capitalisation method  The key input are  (1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of ranging from 2.1% to 7.0%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 15. INVESTMENT PROPERTIES (CONTINUED)

### (c) Fair value measurements and valuation processes (Continued)

As at 30 September 2016 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(2) Monthly market rent	Monthly market rents, taking into account of time, location and individual factors such as frontage and size, between the comparable and the property, of ranging from HK\$11.0 to HK\$131.7 per square feet per month on lettable area basis.	A slight increase in the monthly market rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Investment properties in the PRC	Level 3	Income capitalisation method		
		The key input are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of 1.5%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of time, location and individual factors such as frontage and size, between the comparable and the property, of RMB82 per square meter per month on lettable area basis.	A slight increase in the monthly market rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 15. INVESTMENT PROPERTIES (CONTINUED)

### (c) Fair value measurements and valuation processes (Continued)

As at 30 September 2015

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	
Investment properties in Hong Kong	Level 3	Direct comparison method  The key input is	(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of ranging from HK\$440,000 to HK\$800,000 per unit for car park spaces.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Investment properties in Hong Kong	Level 3	Income capitalisation method  The key input are	(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of ranging from 2.3% to 7.0%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 15. INVESTMENT PROPERTIES (CONTINUED)

### (c) Fair value measurements and valuation processes (Continued)

As at 30 September 2015 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(2) Monthly market rent	Monthly market rents, taking into account of time, location and individual factors such as frontage and size, between the comparable and the property, of ranging from HK\$10.5 to HK\$131.4 per square feet per month on lettable area basis.	A slight increase in the monthly market rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Investment properties in the PRC	Level 3	Income capitalisation method		
		The key input are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.0%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of time, location and individual factors such as frontage and size, between the comparable and the property, of RMB82 per square meter per month on lettable area basis.	A slight increase in the monthly market rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 15. INVESTMENT PROPERTIES (CONTINUED)

#### (c) Fair value measurements and valuation processes (Continued)

The fair values of all investment properties were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy throughout the year.

In estimating the fair value of the Group's investment properties, the Group used market observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong under long lease	Building	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>					
At 1 October 2014	1,172	5,269	26,023	2,999	35,463
Additions	–	–	710	–	710
Disposals	–	–	(398)	(371)	(769)
At 30 September 2015	1,172	5,269	26,335	2,628	35,404
Additions	–	–	566	752	1,318
Disposals	–	–	(342)	(556)	(898)
At 30 September 2016	1,172	5,269	26,559	2,824	35,824
<b>DEPRECIATION</b>					
At 1 October 2014	290	3,274	24,557	2,212	30,333
Provided for the year	8	105	844	251	1,208
Eliminated on disposals	–	–	(372)	(371)	(743)
At 30 September 2015	298	3,379	25,029	2,092	30,798
Provided for the year	8	105	654	176	943
Eliminated on disposals	–	–	(331)	(497)	(828)
At 30 September 2016	306	3,484	25,352	1,771	30,913
<b>CARRYING VALUES</b>					
At 30 September 2016	866	1,785	1,207	1,053	4,911
At 30 September 2015	874	1,890	1,306	536	4,606

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the term of the lease
Building	Over the shorter of the term of the lease of the land, or 50 years
Furniture, fixtures and equipment	12% – 20%
Motor vehicles	15% – 25%

### 17. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE/ LOAN TO A JOINT VENTURE

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of unlisted investments ( <i>Note i</i> )	3	3
Fair value adjustments on non-current interest-free amount due from a joint venture	44,356	39,044
Dividend declared	(62,200)	(62,200)
Share of post-acquisition profits	25,111	25,972
Cumulative exchange gain arising from long term advances	4,164	6,355
Exchange realignment	3,117	4,660
	<b>14,551</b>	<b>13,834</b>
Amount due from a joint venture – non-current ( <i>Note ii</i> )	<b>146,329</b>	<b>135,007</b>
Loan to a joint venture – current ( <i>Note iii</i> )	<b>12,201</b>	<b>10,739</b>

Notes: i. The investment in a joint venture represents a 33<sup>1</sup>/<sub>3</sub>% interest in the issued capital of Silver Gain Development Limited ("Silver Gain"), a company incorporated in Hong Kong. Silver Gain is principally engaged in the development of a commercial/residential complex in Guangzhou ("Silver Gain Plaza"), the PRC, through a subsidiary established in the PRC named Guangzhou Garden Plaza Development Company Limited.

ii. The amount due from a joint venture is unsecured, interest free, and is not expected to be repaid within twelve months from the end of the reporting period. The fair value adjustment on the amount due from a joint venture recognised during the year amounting to HK\$5,312,000 (2015: HK\$4,603,000) recognised upon revision of estimated repayment date which affected the estimates of timing of cash flows of repayment. The effective interest rate as at 30 September 2016 was 6.00% (2015: 6.00%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 17. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE/LOAN TO A JOINT VENTURE (CONTINUED)

Notes: ii. (Continued)

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK\$57,800,000 (2015: HK\$60,450,000) receivable by the Group has not yet been settled as at 30 September 2016 and was included in the balance of amount due from a joint venture at 30 September 2016. The remaining balance of amount due from a joint venture relate to long term advances made by the Group to the joint venture which are denominated in HKD, which is not the functional currency of the joint venture. Exchange differences arising on the advances have been recognised in other comprehensive income as the advances form part of the Group's net investment in the joint venture.

- iii. At 30 September 2016, loan to a joint venture of HK\$9,248,000 (2015: HK\$9,672,000) is unsecured and carries interest at 22.32% per annum and is denominated in RMB, which is the functional currency of the joint venture. The remaining interest receivable of HK\$2,953,000 (2015: HK\$1,067,000) is expected to be repaid within twelve months together with the loan.
- iv. On 4 February 2016, the Group entered into an agreement and a 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 and to purchase and take assignment of the shareholder's loan owing by Silver Gain 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 a third supplemental agreement (collectively referred to as the "Further Amended and Supplemented Agreements") respectively, pursuant to which the parties agreed to make certain amendments to the Amended and Supplemented Agreement including the time of fulfilment of certain conditions.

The Further Amended and Supplemented Agreements 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 Agreements.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Consolidated financial information regarding Silver Gain and its subsidiary attributable to the Group's interest is set out below:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	10,628	10,769
Expenses	(11,489)	(22,450)
Loss for the year	(861)	(11,681)
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position		
Non-current assets	696	158
Current assets	203,461	194,015
Current liabilities	(44,782)	(45,699)
Non-current liabilities	(144,824)	(134,640)
Net assets	14,551	13,834

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment as at 30 September 2016 and 2015 comprise:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity investment, at cost	8,000	8,000

The above unlisted investment represents investment in unlisted equity securities issued by a private entity incorporated in Hong Kong. It is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

### 19. INVENTORIES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading inventories	8,089	7,575

The cost of inventories recognised as an expense during the year was HK\$21,639,000 (2015: HK\$17,762,000).

### 20. INVESTMENTS HELD FOR TRADING

The amount represents investments in equity securities listed in Hong Kong, which are carried at fair value based on quoted market bid prices at the end of the reporting periods.

Investments held for trading, that are measured subsequent to initial recognition at fair value, are grouped into level 1 fair value measurements which are those derived from quoted prices (unadjusted) in active market for identical assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 21. TRADE AND OTHER RECEIVABLES

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	4,470	2,749
Other receivables	7,716	5,936
Total trade and other receivables	12,186	8,685

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	4,019	2,746
31 – 60 days	64	–
61 – 90 days	63	–
Over 90 days	324	3
	4,470	2,749

Before accepting any new customer, the Group will assess the potential customer's credit quality. Limits attributed to customers are reviewed once a year. The Group's trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$1,203,000 (2015: HK\$1,426,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as these debtors have good repayable history. The Group does not hold any collateral over these balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of trade receivables which are past due but not impaired:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue:		
1 – 30 days	752	1,423
31 – 60 days	64	–
61 – 90 days	63	–
Over 90 days	324	3
	<b>1,203</b>	<b>1,426</b>

### 22. BANK BALANCES AND CASH

Bank balances carry interest rates at prevailing rates which range from 0.01% to 4.43% (2015: 0.01% to 3.86%) per annum.

The currency in which cash and cash equivalents are denominated is analysed as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	185,429	66,921
RMB	13,395	106,130
Others	1,049	482
	<b>199,873</b>	<b>173,533</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 23. TRADE AND OTHER PAYABLES

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,347	1,357
31 – 60 days	504	436
61 – 90 days	32	818
Over 90 days	97	46
	<b>2,980</b>	<b>2,657</b>
Other payables	17,283	15,954
Renovation fee payable	33	77
Retention payable	730	2,011
Deposits received for sale of goods	1,413	1,157
	<b>22,439</b>	<b>21,856</b>

### 24. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
<b>Issued and fully paid</b>		
At 1 October 2014, 30 September 2015 and 30 September 2016		
– Ordinary shares with no par value	110,179,385	146,134

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 25. BANK LOAN

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loan		
– Repayable within one year	<b>70,000</b>	70,000

The Group's bank loan of HK\$70,000,000 contains a repayment on demand clause and therefore is shown under current liabilities.

The bank loan carries interest at HIBOR plus certain basis points and is denominated in Hong Kong dollars, which is the functional currency of the relevant group entity.

The effective interest rate of the bank loan is 2.24% (2015: 2.24%) per annum.

At 30 September 2016, the Group had unutilised bank loan facilities of HK\$420,000,000 (2015: HK\$316,000,000).

### 26. DEFERRED TAXATION

The deferred tax liabilities (assets) recognised during both years and at the end of the reporting periods in respect of temporary differences are attributable to the following:

	Investment properties	Property, plant and equipment	Trading securities	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 October 2014	28,961	80	7,204	(9,807)	26,438
Charge (credit) to profit or loss	2,441	(22)	(322)	751	2,848
At 30 September 2015	<b>31,402</b>	<b>58</b>	<b>6,882</b>	<b>(9,056)</b>	<b>29,286</b>
Charge (credit) to profit or loss	3,607	106	(250)	949	4,412
At 30 September 2016	<b>35,009</b>	<b>164</b>	<b>6,632</b>	<b>(8,107)</b>	<b>33,698</b>

At the end of the reporting period, the Group had unused tax losses of HK\$50,068,000 (2015: HK\$55,787,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK\$49,133,000 (2015: HK\$54,885,000). No deferred tax asset has been recognised on the tax losses of HK\$935,000 (2015: HK\$902,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 27. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>		
Investment properties	3,539,700	3,365,280
Property, plant and equipment	2,777	2,367
Investments in subsidiaries	51,589	46,276
Amounts due from subsidiaries	464,620	455,570
Deposits and prepayments	–	1,362
Available-for-sale investment	8,000	8,000
	<b>4,066,686</b>	<b>3,878,855</b>
<b>Current Assets</b>		
Trade and other receivables	655	1,115
Deposits and prepayments	425	470
Bank balances and cash	191,371	166,990
	<b>192,451</b>	<b>168,575</b>
<b>Current Liabilities</b>		
Trade and other payables	7,625	8,552
Rental and management fee deposits	19,148	17,794
Amounts due to subsidiaries	6,719	16,283
Provision for taxation	6,792	6,429
	<b>40,284</b>	<b>49,058</b>
<b>Net Current Assets</b>	<b>152,167</b>	<b>119,517</b>
<b>Total Assets less Current Liabilities</b>	<b>4,218,853</b>	<b>3,998,372</b>
<b>Capital and Reserve</b>		
Share capital	146,134	146,134
Reserve ( <i>Note</i> )	4,056,467	3,838,977
	<b>4,202,601</b>	<b>3,985,111</b>
<b>Non-current Liability</b>		
Deferred taxation	16,252	13,261
	<b>4,218,853</b>	<b>3,998,372</b>

Wong Tat Chang, Abraham  
DIRECTOR

Wong Tat Sum, Samuel  
DIRECTOR

*Note:* The movements in reserve are presented below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	<u>Retained profits</u>
	<i>HK\$'000</i>
At 1 October 2014	3,716,987
Profit for the year	151,738
Final dividend for 2014 paid	(25,341)
Interim dividend for 2015 paid	(4,407)
At 30 September 2015	<b>3,838,977</b>
Profit for the year	247,238
Final dividend for 2015 paid	(25,341)
Interim dividend for 2016 paid	(4,407)
<b>At 30 September 2016</b>	<b><u>4,056,467</u></b>

The Company's reserve available for distribution to shareholders as at 30 September 2016 represent the retained profits of HK\$1,283,256,000 (2015: HK\$1,214,090,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2016 and 30 September 2015, which are incorporated and operating principally in Hong Kong unless otherwise stated, are as follows:

Name of subsidiaries	Issued share/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2016	2015	2016	2015	
		%	%	%	%	
Avery Limited	HK\$10,000	100	100	–	–	Property investment
Avery Property Limited	HK\$10,000	100	100	–	–	Investment holding
Beverly Investment Company Limited	HK\$3,600,000	100	100	–	–	Property management
Dragon World Corporation Limited	HK\$10,000	–	–	100	100	Investment holding
Double Mark Enterprises Limited (ii)	HK\$2	–	–	100	100	Property investment
Dynabest Development Inc. (i)	US\$10	–	–	100	100	Investment holding
Elephant Holdings Limited	HK\$1,000,000	51.96	51.96	–	–	Trading of visual and sound equipment and investment holding
Elephant Radio (China) Company Limited	HK\$2	–	–	51.96	51.96	Inactive
First Madison Holdings Limited (i)	US\$10	100	100	–	–	Investment holding
Marsbury Base Limited	HK\$10	100	100	–	–	Provision of trustee and nominee services
Metropoint Holdings Limited	HK\$10,000	100	100	–	–	Investment holding
Monte Bella International Holdings Limited (i)	US\$10	100	100	–	–	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Name of subsidiaries	Issued share/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2016	2015	2016	2015	
		%	%	%	%	
Pacific Limited	HK\$100,000	100	100	–	–	Property investment
Patricus Limited	HK\$10,000	100	100	–	–	Property investment and securities dealing
Pokfulam Property Management Limited	HK\$10,000	100	100	–	–	Property management
Premium Wealth Company Limited	HK\$2	100	100	–	–	Inactive
Regent Creation Investment Limited (i)	US\$10	100	100	–	–	Investment holding
Supreme Universal Limited	HK\$2	–	–	100	100	Investment holding
Well Vantage Company Limited (ii)	HK\$2	–	–	100	100	Property investment
Wellmake Holdings Limited	HK\$10,000	100	100	–	–	Property investment
Welshston Limited	HK\$10,000	100	100	–	–	Property investment
Worldwide Music Limited	HK\$200,000	–	–	51.96	51.96	Trading of visual and sound equipment
廣州市寶臨置業有限公司(iii)	US\$1,000,000	–	–	100	100	Property investment and management
深圳利臨投資顧問有限公司(iii)	RMB100,000	–	–	100	100	Inactive

Notes:

(i) Incorporated in the British Virgin Islands

(ii) Operating principally in the PRC

(iii) Registered in the PRC as wholly foreign owned enterprise

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 28. COMMITMENTS

At the end of the reporting period,

- (a) the Group had outstanding commitments in respect of property renovation cost of HK\$341,000 (2015: HK\$9,468,000) contracted for but not provided in the Group's consolidated statements of financial position.
- (b) the Group had share of the outstanding commitments of the joint venture of HK\$6,432,000 (2015: HK\$6,687,000) in respect of the cost of development of the commercial/residential complex contracted for but not provided in its consolidated financial statements.

## 29. PLEDGED ASSETS

At the end of the reporting period, investment properties, leasehold land and building of the Group with carrying amount of approximately HK\$4,054,900,000 (2015: HK\$3,873,900,000) and HK\$2,651,000 (2015: HK\$2,764,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

## 30. LEASE ARRANGEMENTS

At the end of the reporting period, the Group's investment properties with an aggregate carrying amount of HK\$4,128,853,000 (2015: HK\$3,557,226,000) was leased out under operating leases for periods ranging from one to three years, a substantial portion of which does not have renewal options granted to the lessees. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2016	2015
	HK\$'000	HK\$'000
Within one year	54,617	65,204
In more than one year but not more than two years	7,244	20,957
In more than two years but not more than three years	110	1,161
	<b>61,971</b>	<b>87,322</b>

## 31. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of HK\$700,000 (2015: HK\$661,000) represents contributions paid and payable to the plan by the Group at rates specified in the rules of the plan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 32. RELATED PARTY TRANSACTIONS

### Renovation work

On 10 April 2012, the Company 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 years ended 30 September 2016 and 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 year ended 30 September 2016, HK\$3,919,000 (2015: HK\$2,183,000) was paid or payable to the Contractor and HK\$3,204,000 (2015: HK\$1,468,000) was included in the addition to the investment properties of the Group.

As at 30 September 2015, HK\$715,000 retention payable to the Contractor was included in the Group's trade and other payables.

### Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year was as follows:

	2016	2015
	HK\$'000	HK\$'000
Short-term benefits	6,383	5,875
Post-employment benefits	108	139
	<b>6,491</b>	<b>6,014</b>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## FIVE YEARS FINANCIAL SUMMARY

### (A) CONSOLIDATED RESULTS

	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	133,525	131,015	136,215	132,473	146,515
Profit for the year	460,821	224,252	179,228	172,529	259,690
Profit for the year attributable to:					
Owners of the Company	459,464	223,489	178,001	172,434	259,012
Non-controlling interests	1,357	763	1,227	95	678
	460,821	224,252	179,228	172,529	259,690

### (B) CONSOLIDATED NET ASSETS

	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	4,018,064	4,252,023	4,413,624	4,547,930	4,781,392
Total liabilities	(110,263)	(144,224)	(158,322)	(154,329)	(161,914)
Net assets	3,907,801	4,107,799	4,255,302	4,393,601	4,619,478
Equity attributable to owners of the Company	3,899,942	4,099,185	4,247,383	4,385,587	4,610,786
Non-controlling interests	7,859	8,614	7,919	8,014	8,692
Total	3,907,801	4,107,799	4,255,302	4,393,601	4,619,478

## PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

Particulars of investment properties which are wholly owned by the Group are as follows:

Property	Existing use	Lease term	Number of car parking spaces	Approximate gross floor area <i>(square meters)</i>
<i>In Hong Kong</i>				
Beverly House 93-107 Lockhart Road Hong Kong (The Remaining Portion of Inland Lot Nos. 3517-3519, 2785 and 3222)	Commercial	Long lease	43	8,347
Scenic Villas Apartments K and L on Ground to 14th Floor of Block A-4 2-28 Scenic Villa Drive Hong Kong (630/4,490th shares of and in the Remaining Portion of Inland Lot No. 2596)	Residential	Long lease	30	6,410
Scenic Villas Apartments D on Ground to 13th Floor of Block B-2 2-28 Scenic Villa Drive Hong Kong (294/4,490th shares of and in the Remaining Portion of Inland Lot No. 2596)	Residential	Long lease	14	2,510
Scenic Villas The Lower Ground Floor of Block A-3 and part of Car Port Area under Block A-4 2-28 Scenic Villa Drive Hong Kong (Certain shares of the Remaining Portion of Inland Lot No. 2596)	Commercial	Long lease	25	314



## PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

Property	Existing use	Lease term	Number of car parking spaces	Approximate gross floor area <i>(square meters)</i>
<i>In Hong Kong (Continued)</i>				
3-4 Headland Road Hong Kong (Rural Building Lot Nos. 681-682)	Residential	Long lease	18	3,556
Wyler Centre Phase 2 13/F and 14/F Nos.192-200 Tai Lin Pai Road Kwai Chung New Territories (364/11,152nd shares of and in the Remaining Portion of Kwai Chung Town Lot No. 130)	Industrial	Medium lease	5	4,760
1/F, 88A Pok Fu Lam Road Hong Kong (1/8th shares of and in the Remaining Portion of Inland Lot No. 2580)	Residential	Long lease	1	155
Kennedy Court No. 7A Shiu Fai Terrace Nos. 134-136 Kennedy Road Hong Kong (Section B of Inland Lot No. 2071)	Residential	Medium lease	30	4,102
<i>In the People's Republic of China</i>				
Units E and F on 1/F to 3/F and 5/F to 9/F, Vivaldi Court Manhattan Garden Chao Yang District Beijing	Residential	Long lease	–	1,987

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Pokfulam Development Company Limited (the “Company” and the “Annual General Meeting”, respectively) will be held at Director’s Room, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 22 December 2016 at 3:30 p.m. for the following purposes:–

As ordinary business:

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) and the reports of the directors and independent auditor of the Company for the year ended 30 September 2016.
2. To declare a final dividend for the year ended 30 September 2016.
3. To re-elect Mr. Wong Tat Kee, David as an executive director of the Company.
4. To re-elect Mdm. Lam Hsieh Lee Chin, Linda as an independent non-executive director of the Company.
5. To authorise the board of directors of the Company (the “Board”) to fix the remuneration of the directors for the year ending 30 September 2017 (the “Year 2017”).
6. To re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company in respect of the consolidated financial statements of the Group for Year 2017 and to authorise the Board to fix its remuneration.

As special business:

To consider and, if thought fit, to pass with or without modification the following resolutions shown as items 7, 8, and 9 as ordinary resolutions:–

7. **“THAT:–**
  - (a) subject to paragraph (b) of this Resolution below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to buy back the issued shares of the Company (the “Shares”) be and is hereby generally and unconditionally approved;
  - (b) the aggregate number of the Shares which may be bought back on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong (the “Commission”) and the Stock Exchange under the Hong Kong Code on Share Buy-backs administered by the Commission pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate number of the issued Shares at the date of passing this Resolution, and the said approval shall be limited accordingly;
  - (c) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or law to be held; and
    - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

## NOTICE OF ANNUAL GENERAL MEETING

8. "THAT:–

- (a) subject to paragraph (c) of this Resolution below, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the "Shares") or securities convertible into Shares, or options, warrants or securities for similar rights to subscribe for any Shares and to make or grant offers, agreements, options and warrants which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and warrants which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:–
  - (i) a Rights Issue (as defined below); or
  - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or
  - (iii) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the "Articles of Association") in force from time to time; or
  - (iv) any issue of Shares upon the exercise of rights of subscription, conversion or exchange under the terms of any warrants of the Company or any securities which are convertible into or exchangeable for shares;

shall not exceed the aggregate of:–

- (aa) 20 per cent. of the aggregate number of the issued Shares at the date of passing this Resolution; and
  - (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of Shares bought back by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of the issued Shares at the date of passing this Resolution), and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or law to be held; and

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving the rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

9. “**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution No. 8 of the notice convening this Meeting in respect of the shares of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

By Order of the Board  
Pokfulam Development Company Limited  
Hui Sui Yuen  
*Company Secretary*

Hong Kong, 18 November 2016

*Notes:*

- (1) For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company (the “Register of Members”) will be closed from Tuesday, 20 December 2016 to Thursday, 22 December 2016 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, 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 Monday, 19 December 2016.
- (2) For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Tuesday, 3 January 2017 to Thursday, 5 January 2017 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the final 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 Friday, 30 December 2016.
- (3) Any member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or (if he/she/it holds more than 1 Share) more proxies to attend and, on a poll, vote instead of him/her/it. A proxy need not be a member of the Company. All proxies must be deposited with the registered office of the Company, 23rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for the Meeting.
- (4) With reference to Resolutions Nos. 3 and 4 above, Mr. Wong Tat Kee, David and Mdm, Lam Hsieh Lee Chin, Linda will retire as Directors by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Details of the above Directors are set out in Appendix II to the Company’s circular dated 18 November 2016.
- (5) With reference to Resolutions Nos. 7, 8 and 9 above, the Directors wish to state that they have no immediate plans to repurchase any existing Shares or to issue any new Shares pursuant to the relevant mandate.
- (6) In compliance with rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange, voting on all proposed resolutions set out in the notice will be decided by way of a poll.