



博富臨置業有限公司

**Pokfulam Development  
Company Limited**

Stock Code : 225

INTERIM REPORT 2016 - 2017



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham  
Hui Sui Yuen

## COMPANY SECRETARY

Hui Sui Yuen

## REGISTERED OFFICE

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

## PRINCIPAL BANKERS

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

## SOLICITORS

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

## INDEPENDENT AUDITOR

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

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

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

## SHARE INFORMATION

### Place of Listing

The Stock Exchange of Hong Kong Limited

### Stock Code

225

### Board Lot

2,000 shares

# CHAIRMAN'S STATEMENT

## INTERIM PROFIT

The unaudited consolidated net profit of the Company and its subsidiaries (collectively, the "Group") after taxation and minority interest for the six months ended 31 March 2017 was HK\$76.1 million, as compared to HK\$103.8 million for the corresponding period of the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK\$26.7 million (2016: HK\$51.2 million) on investment properties;
- An unrealized gain of HK\$2.0 million (2016: HK\$0.1 million) on listed securities investments; and
- Share of loss of a joint venture of HK\$1.4 million (2016: profit of HK\$0.1 million).

If the above items and their net taxation expense of HK\$0.3 million (2016: HK\$2.3 million) were excluded, the operating net profit after taxation for the period would have been HK\$49.1 million (2016: HK\$54.7 million). The decrease was largely due to a reduction in dividend income received from an unlisted investee company.

## INTERIM DIVIDEND

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved to declare an interim dividend of HK4 cents per ordinary share in respect of the first six months of the financial year ending 30 September 2017 (2016: HK4 cents per ordinary share) payable on 6 July 2017 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 28 June 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 3.7% more than that of the same period last year. Rental income from the Group's major residential properties showed a decrease of 5%. The decrease was mainly attributable to the increase in vacancy of the Group's residential properties since the beginning of 2017. This is a general reflection of the slowing down of the local economy, which has led to the reduction in employment of expats, who constitute a major portion of our tenants. Rental income from the Group's office and industrial properties had shown a 5.2% increase, which was in line with local segment trends and was attributable to the limited increase in supply of office space in the Wanchai area in which the Group's office building is located.

Elephant Holdings Limited had recorded an increase of 20% in sales revenue during the six months under review, and had contributed a small profit to the Group's earnings.

## CHAIRMAN'S STATEMENT

### B. Property Projects in Mainland China

*Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest)* – Our Group's investment in this Project is through a Joint Venture Company, Silver Gain Development Limited (銀利發展有限公司) ("Joint Venture Company"). The three shareholders of the Joint Venture Company are Dynabest Development Inc. (one of our wholly-owned subsidiaries), Property Trust Guangzhou Investments Limited and Million Global Limited, with each holding one-third of the issued shares of the Joint Venture Company. The Joint Venture Company is the sole foreign investor of Guangzhou Garden Plaza Development Company Limited (廣州市東銀房地產有限公司) (the "PRC Company"). The PRC Company is a sino-foreign cooperative project company incorporated in China, and 廣州市東建實業集團有限公司 is the Chinese partner which contributed the land to this Project. The Joint Venture Company is principally engaged in the development of the commercial/residential complex ("Silver Gain Plaza") located on the land in Guangzhou through the PRC Company. The construction development phase of Silver Gain Plaza is close to completion as at the date of this Report. An unforeseen change in local government policy requires payment of additional land premium for the commercial podium and the underground structure of Phase III of the project before the Certificate of Compliance can be issued. In order to satisfy such requirements, the PRC Company had tried to obtain funding from local commercial banks. Unfortunately, the funding proposal was not agreed by one of the shareholders of the Joint Venture Company. At this stage, the PRC Company is exploring various alternatives to obtaining the requisite funds.

During the period under review, the Joint Venture has repaid part of the shareholder loans to the Group. The Group is closely monitoring the financial position of the Joint Venture and will demand further repayment of shareholder loans from the Joint Venture when surplus funds become available.

In early March 2017, the Group had entered an agreement with an independent third party ("Purchaser"), pursuant to which, the Group agreed to conditionally sell and the Purchaser agreed to conditionally purchase, our share of the entire equity interest in this Project. However, as the Purchaser failed to provide the partial payment which came due on 15 April 2017, the agreement was terminated on 15 April 2017.

*Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing* – Rental revenue from this project had been steady comparing to that of the previous reporting period.

## PROSPECTS

In spite of the recent escalation in prices of residential units in new development projects in Hong Kong and record-setting prices achieved in the tenders of government land, demand for rental of the Group's high-end residential properties and office space had not been strong since late 2016. This may be a reflection of the sluggishness in general economic conditions, especially in the service and consumer retail sector. In view of the above, the overall rental income of the Group in the second half of the financial year is anticipated to be less than that of the first half.

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

Hong Kong, 26 May 2017

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 18, which comprise the condensed consolidated statement of financial position as of 31 March 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
26 May 2017



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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2017

	NOTES	Six months ended	
		31.3.2017	31.3.2016
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue		70,149	66,294
Cost of goods sold		(7,440)	(6,838)
Cost of rental and other operations		(14,800)	(14,501)
		47,909	44,955
Other income		18,750	27,565
Other expense		(2,601)	(4,828)
Selling and marketing expenses		(786)	(718)
Administrative expenses		(8,082)	(6,554)
Finance costs	4	(846)	(1,045)
Profit before changes in fair value of investments held for trading and investment properties		54,344	59,375
Increase in fair value of investments held for trading		2,011	100
Increase in fair value of investment properties	9	26,696	51,218
		83,051	110,693
Share of (loss) profit of a joint venture		(1,358)	50
Profit before tax	5	81,693	110,743
Income tax expense	6	(5,495)	(7,383)
Profit for the period		76,198	103,360
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(2,727)	(924)
Exchange loss arising from long term advances to a joint venture		(1,130)	(716)
Other comprehensive expense for the period		(3,857)	(1,640)
<b>Total comprehensive income for the period</b>		<b>72,341</b>	<b>101,720</b>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		76,084	103,843
Non-controlling interests		114	(483)
		76,198	103,360
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		72,227	102,203
Non-controlling interests		114	(483)
		72,341	101,720
		HK cents	HK cents
Earnings per share – basic	8	69.1	94.2

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

		31.3.2017	30.9.2016
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>Non-current Assets</b>			
Investment properties	9	4,353,932	4,327,154
Property, plant and equipment	9	4,724	4,911
Interest in a joint venture	10	9,580	14,551
Amount due from a joint venture		132,154	146,329
Available-for-sale investment		8,000	8,000
		<b>4,508,390</b>	<b>4,500,945</b>
<b>Current Assets</b>			
Inventories		6,371	8,089
Investments held for trading		35,792	42,981
Loan to a joint venture		12,743	12,201
Trade and other receivables	11	6,081	12,186
Deposits and prepayments		6,405	5,117
Bank balances and cash		210,087	199,873
		<b>277,479</b>	<b>280,447</b>
<b>Current Liabilities</b>			
Trade and other payables	12	16,416	22,439
Rental and management fee deposits		24,913	25,391
Provision for taxation		7,651	10,386
Bank loan, secured	13	40,000	70,000
		<b>88,980</b>	<b>128,216</b>
<b>Net Current Assets</b>		<b>188,499</b>	<b>152,231</b>
<b>Total Assets less Current Liabilities</b>		<b>4,696,889</b>	<b>4,653,176</b>
<b>Capital and Reserves</b>			
Share capital		146,134	146,134
Reserves		4,509,334	4,464,652
<b>Equity attributable to owners of the Company</b>		<b>4,655,468</b>	<b>4,610,786</b>
<b>Non-controlling interests</b>		<b>7,125</b>	<b>8,692</b>
<b>Total Equity</b>		<b>4,662,593</b>	<b>4,619,478</b>
<b>Non-current Liability</b>			
Deferred taxation		34,296	33,698
		<b>4,696,889</b>	<b>4,653,176</b>

The condensed consolidated financial statements on pages 6 to 18 were approved and authorised for issue by the Board on 26 May 2017 and are signed on its behalf by:

Wong Tat Chang, Abraham  
DIRECTOR

Wong Tat Sum, Samuel  
DIRECTOR



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2017

	Attributable to owners of the Company				Non-controlling interests	
	Share capital	Translation reserve	Retained profits	Total		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2015 (audited)	146,134	10,891	4,228,562	4,385,587	8,014	4,393,601
Profit (loss) for the period	-	-	103,843	103,843	(483)	103,360
Exchange difference arising on translation of foreign operations	-	(924)	-	(924)	-	(924)
Exchange loss arising from long term advances to a joint venture	-	(716)	-	(716)	-	(716)
Total comprehensive (expense) income for the period	-	(1,640)	103,843	102,203	(483)	101,720
Dividend paid	-	-	(25,341)	(25,341)	-	(25,341)
At 31 March 2016 (unaudited)	146,134	9,251	4,307,064	4,462,449	7,531	4,469,980
At 1 October 2016 (audited)	146,134	6,826	4,457,826	4,610,786	8,692	4,619,478
Profit for the period	-	-	76,084	76,084	114	76,198
Exchange difference arising on translation of foreign operations	-	(2,727)	-	(2,727)	-	(2,727)
Exchange loss arising from long term advances to a joint venture	-	(1,130)	-	(1,130)	-	(1,130)
Total comprehensive (expense) income for the period	-	(3,857)	76,084	72,227	114	72,341
Dividend paid	-	-	(27,545)	(27,545)	(1,681)	(29,226)
At 31 March 2017 (unaudited)	146,134	2,969	4,506,365	4,655,468	7,125	4,662,593

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

	Six months ended	
	31.3.2017	31.3.2016
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Net cash from operating activities</b>	<b>40,723</b>	<b>26,406</b>
<b>Investing activities</b>		
Repayment from (advance to) a joint venture	17,286	(14,000)
Dividend income from an available-for-sale investee company	13,333	22,331
Additions of investment properties	(610)	(16,218)
Other investing cash flows	(201)	(449)
<b>Net cash from (used in) investing activities</b>	<b>29,808</b>	<b>(8,336)</b>
<b>Financing activities</b>		
Repayment of a bank loan	(30,000)	–
Dividend paid to non-controlling shareholders	(1,681)	–
Dividend paid	(27,545)	(25,341)
Interest paid	(846)	(780)
<b>Cash used in financing activities</b>	<b>(60,072)</b>	<b>(26,121)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>10,459</b>	<b>(8,051)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>199,873</b>	<b>173,533</b>
<b>Effect of foreign exchange rates changes</b>	<b>(245)</b>	<b>(154)</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>210,087</b>	<b>165,328</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 1. GENERAL

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group for the six months ended 31 March 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed consolidated financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2016.

The financial information relating to the year ended 30 September 2016 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 30 September 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of consideration for goods and services.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 March 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2016.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new amendments to the HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 3. SEGMENT INFORMATION (CONTINUED)

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

Six months ended 31 March 2017

	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	56,670	12,966	513	70,149	-	70,149
Inter-segment	826	27	-	853	(853)	-
	57,496	12,993	513	71,002	(853)	70,149
Segment profit	72,636 (Note)	1,118	2,512	76,266	-	76,266
Other income						18,088
Other expense						(2,601)
Central administrative costs						(7,856)
Finance costs						(846)
Share of loss of a joint venture						(1,358)
Profit before tax						81,693

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK\$26,696,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 3. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 March 2016

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

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

Inter-segment revenue is charged at mutually agreed terms.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 4. FINANCE COSTS

The amounts represent interests on a bank loan.

## 5. PROFIT BEFORE TAX

	Six months ended	
	31.3.2017	31.3.2016
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	387	428
Loss on disposal of property, plant and equipment	1	1
Imputed interest on amount due from a joint venture	(2,656)	(2,302)
Dividend income from listed securities	(513)	(644)
Dividend income from an available-for-sale investee company	(13,333)	(22,331)

## 6. INCOME TAX EXPENSE

	Six months ended	
	31.3.2017	31.3.2016
	HK\$'000	HK\$'000
Hong Kong Profits Tax	4,896	4,461
Deferred tax charge	599	2,922
	5,495	7,383

## 7. DIVIDEND

In January 2017, the final dividend in respect of the financial year ended 30 September 2016 of HK25 cents (2016: HK23 cents in respect of the financial year ended 30 September 2015) per share totalling HK\$27,545,000 (2016: HK\$25,341,000) was paid to the shareholders of the Company (the "Shareholders").

Subsequent to the end of the interim reporting period, the Directors have determined that an interim dividend in respect of the financial year ending 30 September 2017 of HK4 cents (2016: HK4 cents) per share totalling HK\$4,407,000 (2016: HK\$4,407,000) will be paid to the Shareholders whose names appear on the register of members of the Company on 28 June 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the period of approximately HK\$76,084,000 (six months ended 31 March 2016: approximately HK\$103,843,000) and on 110,179,385 (six months ended 31 March 2016: 110,179,385) shares in issue during the period.

Diluted earnings per share is not presented as there were no potential ordinary shares in issue during both periods and as at 31 March 2017 and 31 March 2016.

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

The Group's investment properties at 31 March 2017 were carried at their fair values as estimated by the Directors using direct comparison method. The resulting increase in fair value of HK\$26,696,000 (six months ended 31 March 2016: HK\$51,218,000) has been recognised directly in profit or loss for the period.

During the six months ended 31 March 2017, the Group had incurred additional costs on investment properties and property, plant and equipment at a total cost of HK\$82,000 and HK\$201,000 respectively (six months ended 31 March 2016: HK\$17,463,000 and HK\$450,000 respectively).

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

	Six months ended	
	31.3.2017	31.3.2016
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	29,420	41,750
Commercial	–	5,287
Properties located in the People's Republic of China (the "PRC"):		
Residential	(2,724)	4,181
	<b>26,696</b>	<b>51,218</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 10. INTEREST IN A JOINT VENTURE

On 6 March 2017, the Group entered into an agreement (the "Agreement") with an independent entity (the "Purchaser"), pursuant to which the Group had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase, (i) 3,330 ordinary shares of Silver Gain Development Limited (銀利發展有限公司), a company incorporated in Hong Kong with limited liability developing Silver Gain Plaza in Guangzhou, the PRC, in which the Group indirectly owns one-third of the issued shares (the "Joint Venture"), and (ii) the shareholder's loan owing by the Joint Venture to the Group, at the aggregate consideration of RMB184,300,000 (equivalent to approximately HK\$207,411,000) in accordance with the terms and conditions of the Agreement.

On 27 March 2017, the Group and the Purchaser entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which the parties agreed to make certain amendments to the Agreement including the change of the aggregate consideration of RMB184,611,000 (equivalent to approximately HK\$207,761,000) and the time of fulfilment of certain conditions.

The Supplemental Agreement was automatically terminated on 15 April 2017 as the Purchaser failed to provide the Prepayment (as defined in the Company's announcement dated 6 March 2017) as stipulated in the Supplemental Agreement.

## 11. TRADE AND OTHER RECEIVABLES

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

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

	31.3.2017	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,648	4,019
31 – 60 days	64	64
61 – 90 days	49	63
Over 90 days	402	324
	<b>2,163</b>	<b>4,470</b>
Other receivables	<b>3,918</b>	<b>7,716</b>
	<b>6,081</b>	<b>12,186</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

### 12. TRADE AND OTHER PAYABLES

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

	31.3.2017	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,838	2,347
31 – 60 days	161	504
61 – 90 days	56	32
Over 90 days	1,282	97
	<b>3,337</b>	<b>2,980</b>
Other payables	11,769	17,283
Renovation fee and retention payable	235	763
Deposit received for sale of goods	1,075	1,413
	<b>16,416</b>	<b>22,439</b>

### 13. SECURED BANK LOAN

During the six months ended 31 March 2017, the Group repaid a bank loan of HK\$30,000,000 (six months ended 31 March 2016: nil).

### 14. COMMITMENTS

At the end of the reporting period,

- (a) the Group had outstanding commitments in respect of property renovation costs of HK\$315,000 (at 30 September 2016: HK\$341,000) contracted for but not provided in the condensed consolidated financial statements; and
- (b) the Group had share of the outstanding commitments of its joint venture of HK\$2,255,000 (at 30 September 2016: HK\$6,432,000) in respect of the cost of development of commercial/residential complex contracted for but not provided in the condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2017

## 15. PLEDGE OF ASSETS

At the end of the reporting period, investment properties, leasehold land and building of the Group with a carrying amount of approximately HK\$4,082,802,000 (at 30 September 2016: approximately HK\$4,054,900,000) and HK\$2,596,000 (at 30 September 2016: HK\$2,651,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Valuation technique(s) and key input(s)
	31.3.2017	30.9.2016	
	HK\$'000	HK\$'000	
<i>Fair value hierarchy: Level 1</i>			
Listed equity securities classified as investments held for trading	35,792	42,981	Quoted bid prices in an active market

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

# GENERAL INFORMATION

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Consolidated equity attributable to owners of the Company as at 31 March 2017 was HK\$4,655.5 million (30 September 2016: HK\$4,610.8 million).

At 31 March 2017, the Group's total bank balances and cash was HK\$210.1 million (30 September 2016: HK\$199.9 million), of which around 93% (30 September 2016: 92%) was denominated in Hong Kong dollars, and 6% (30 September 2016: 7%) was denominated in Renminbi. The Group's foreign exchange exposure was not significant given its large asset and operational cash flow primarily denominated in Hong Kong dollars.

At 31 March 2017, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK\$40.0 million (30 September 2016: 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:

	31.3.2017	30.9.2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	–	70.0
After one year but within two years	–	–
After two years but within five years	40.0	–
	<hr/>	<hr/>
	40.0	70.0
	<hr/>	<hr/>

The Group's bank term loan of HK\$40.0 million (that is repayable after two years but within five years after the end of the reporting period and contains a repayment on demand clause) is classified under current liabilities. The bank loan carries interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin.

At 31 March 2017, the Group had undrawn banking facilities of HK\$450.0 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

### Gearing and charge on assets

At 31 March 2017, the debt to equity ratio, based on the Group's total borrowings of HK\$40.0 million and the consolidated equity attributable to owners of the Company of HK\$4,655.5 million, was 0.9%, as compared with 1.5% on 30 September 2016.

At 31 March 2017, investment properties and properties for own use of the Group with an aggregate carrying value of HK\$4,082.8 million and HK\$2.6 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

### Commitments

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

## GENERAL INFORMATION

### EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2017, the Group had 102 employees (2016: 101). The staff remuneration including Directors' emoluments and other employee expenses for the six months ended 31 March 2017 amounted to approximately HK\$10.3 million (2016: approximately HK\$10.1 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

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

### CORPORATE GOVERNANCE AND OTHER INFORMATION

#### Corporate governance

Throughout the six months ended 31 March 2017, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save for the following:

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

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

## GENERAL INFORMATION

### Model code for securities transactions by Directors

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

### Purchase, sale or redemption of shares

During the six months ended 31 March 2017, the Company did not redeem any of its shares (the "Shares") listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

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

As at 31 March 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which were 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 and 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 (Note 4)
	Personal interests	Family interests	Other interests		
		(Note 1)	(Notes 2 and 3)		
Wong Tat Chang, Abraham	450,800	–	56,806,234	57,257,034	52.0%
Wong Tat Kee, David	–	–	56,806,234	56,806,234	51.6%
Wong Tat Sum, Samuel	556,000	28,800	56,806,234	57,391,034	52.1%
Lam Hsieh Lee Chin, Linda	104,420	–	–	104,420	0.1%

## GENERAL INFORMATION

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

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

Notes:

- (1) Mr. Wong Tat Sum, Samuel is deemed to be interested in 28,800 Shares, being the interest held beneficially by his wife.
- (2) Shares included in other interests are beneficially owned by the discretionary trusts (the "Trust"), of which Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Directors.
- (3) Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel acquired 1,000,000 Shares at HK\$15.8 each via the Trust on 24 April 2017.
- (4) The percentage represents the total number of Shares interested in the Company divided by the number of issued Shares as at 31 March 2017 (i.e. 110,179,385 Shares).

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interests or short positions 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) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## GENERAL INFORMATION

### Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at 31 March 2017, the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO (the "Register") showed that, the following Shareholder (other than a Director or the chief executive of the Company) had notified the Company of its relevant interests in the issued Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the Register:

#### *Long position interest in the Company*

Name of Shareholder	Number of ordinary Shares held	Approximate percentage of interest in the issued Shares (Note 2)
Madison Profits Limited	22,827,632 (Note 1)	20.7%

#### Notes:

- (1) 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.
- (2) The percentage represents the total number of Shares interested in the Company divided by the number of issued Shares as at 31 March 2017 (i.e. 110,179,385 Shares).

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any person or entity, not being a Director or the chief executive of the Company, of interests or short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.



## GENERAL INFORMATION

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

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

The Board determined the annual remuneration of each of the chairman and other members of the Board and the Board committees for the year ending 30 September 2017 upon the recommendation of the remuneration committee of the Company (as appropriate) as follows:

	Remuneration for chairman HK\$	Remuneration for other members HK\$
<b>Board</b>	100,000	80,000
<b>Board committees:</b>		
Audit committee	80,000	25,000
Remuneration committee	50,000	20,000
Nomination committee	Nil	Nil

With effect from 1 January 2017, the monthly salary (excluding the mandatory provident fund contribution, the director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman of the Board and Managing Director, has been increased from HK\$164,017 to HK\$168,783.

### CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from Monday, 26 June 2017 to Wednesday, 28 June 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 23 June 2017.

### REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Company (the "Audit Committee") comprises all the three INEDs. The Audit Committee has reviewed the results (including the condensed consolidated financial statements) of the Group for the six months ended 31 March 2017 and this interim report.

In addition, the condensed consolidated financial statements of the Group for the six months ended 31 March 2017 have been reviewed by our independent auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose review report is set out on page 5 of this interim report.