



博富臨置業有限公司
**Pokfulam Development
Company Limited**

Stock Code : 225

ANNUAL 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

PROFIT FOR THE YEAR

The consolidated net profit of the Group after taxation and minority interests for the year ended 30 September 2017 was HK\$419.9 million, as compared to HK\$259.0 million in the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK\$323.9 million (2016: HK\$169.9 million) on investment properties;
- A revaluation gain of HK\$10.0 million (2016: loss of HK\$1.5 million) on listed securities investments; and
- Share of losses of joint ventures of HK\$2.0 million (2016: HK\$0.9 million).

If those items and their net taxation expenses of HK\$4.1 million (2016: HK\$3.4 million) were excluded, the operating net profit after taxation for the year would have been HK\$92.1 million (2016: HK\$94.9 million), representing a decrease of 3% from the previous year.

DIVIDEND

The Board has recommended the payment of a final dividend of HK30 cents per share in respect of the year ended 30 September 2017 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 12 January 2018. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 6 July 2017, would give a total dividend of HK34 cents per share for the whole financial year (2016: HK29 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Friday, 29 December 2017, it is expected that the final dividend would be paid to the Shareholders on Friday, 19 January 2018.

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 similar to that of last year.

Rental revenue from the Group's Hong Kong residential properties showed a slight decrease of 1.7%. The decrease was mainly attributable to the increase in vacancy of the Group's residential properties in Scenic Villas and Shiu Fai Terrace since the beginning of 2017. This is a general reflection of the local economic situation and the subsequent 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 3.9% increase, which was in line with the local segment trend 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.

CHAIRMAN'S STATEMENT

Elephant Holdings Limited (EHL), a subsidiary of the Group, had recorded a 14.3% decrease in revenue as compared to that of last year. This was due to keen competition in the sector of Public Address / CCTV Security / Audio visual system engineering, which is one of EHL's fields of specialty, and was a general reflection of the slowness of that business sector. In spite of the sales decline, EHL continued to contribute profit to the Group.

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. Construction of the commercial podium in Phase III (the final phase) of this development project was completed recently. An unforeseen change in local government policy requires payment of additional land premium for the underground structure of this phase 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. As soon as this issue is resolved, the property will be released to the market.

During the period under review, the Joint Venture has repaid part of the shareholders 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.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing – Rental revenue from this project had been steady comparing to that of last year.

CHAIRMAN'S STATEMENT

PROSPECTS

In spite of the recent escalation in prices of the residential properties in new development projects in Hong Kong and record-setting prices achieved in the tenders and auction 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 order to uphold the competitiveness of the Group's property holdings in the leasing market, renovation and refurbishment programs have been carried out in some of the Group's properties. The premises on No. 4 Headland Road will undergo a major renovation which will involve internal re-partitioning of individual units and addition of modern amenities to meet market requirement. The building needs to be vacated to carry out the renovation work, and the relevant tenancies there will not be renewed upon lease expiration. The entire process will last more than a year. Renovation work to modernize the Group's office building in Wanchai is in progress. Some floors are being refurbished for co-work office space upon their lease expiration so as to enhance the rental value. The work is expected to be completed in the first half of 2018.

In view of the above, the overall rental income of the Group in the coming financial year will be less than that of the year under review.

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.

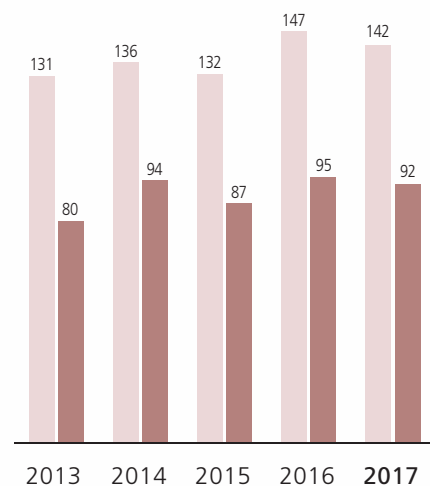
Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 23 November 2017

FINANCIAL HIGHLIGHTS

Revenue/Net Operating Profit

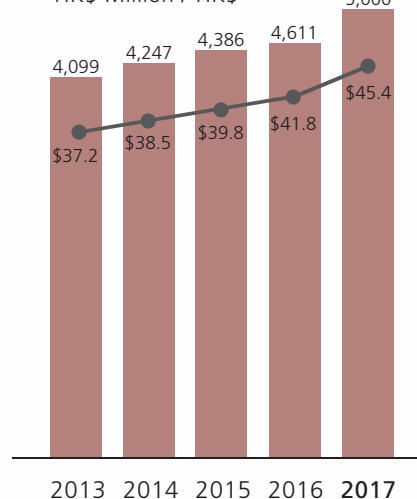
HK\$ Million



■ Revenue
■ Net operating profit attributable to shareholders*

Shareholders' Funds/Net Assets per Share

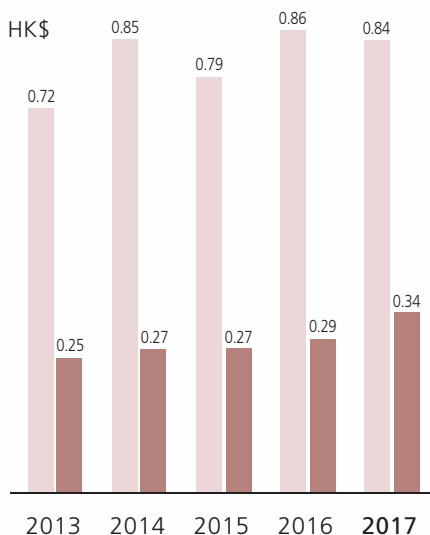
HK\$ Million / HK\$



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

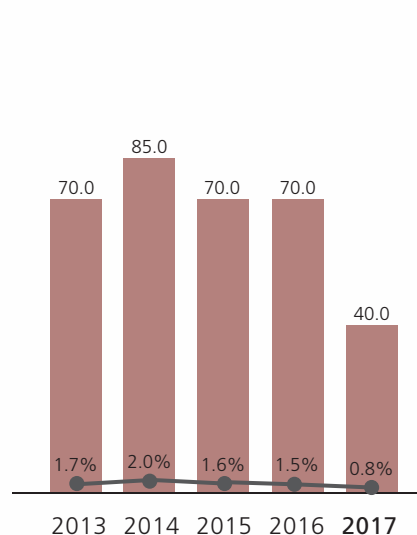
Operating Earnings/Dividend per Share

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: 66)

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, the United States of America ("USA") 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, 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: 65)

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 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: 62)

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 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: 90)

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: 67)

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 five other Hong Kong listed companies, namely The Bank of East Asia, Limited, Cafe de Coral Holdings 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: 59)

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: 35)

Mr. Wong was appointed as General Manager in January 2016. He is also a director of certain 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: 38)

Mr. Hui joined the Group in July 2012 and is now the Company Secretary and Financial Controller. He is also a director of certain 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 16 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 for the year ended 30 September 2017 (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 7 and 8 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 a 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 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 Chang, Abraham and Mr. Sit Hoi Wah, Kenneth 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 Mr. Sit Hoi Wah, Kenneth will be subject to a separate resolution to be approved by the Shareholders at the forthcoming AGM as he 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 above retiring Directors standing for re-election at the forthcoming AGM.

The Company's circular dated 24 November 2017 contains detailed information of the retiring 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:

<u>Name of Directors</u>	<u>Type of trainings</u>
Executive Directors	
Mr. Wong Tat Chang, Abraham	B
Mr. Wong Tat Kee, David	B
Mr. Wong Tat Sum, Samuel	A and B
Independent Non-executive Directors	
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 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 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 (as defined in the Listing Rules) 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.

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, considered the qualifications, experience and performance of the retiring Directors and recommended to the Board their re-election at the AGM for 2016 (the "2016 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 2016 AGM are set out below:

Name of Directors	Attendance/Number of Meetings				
	Regular Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Nomination Committee Meeting	2016 AGM <small>Note</small>
Executive Directors					
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
Independent Non-executive Directors					
Mdm. Lam Hsieh Lee Chin, Linda <i>(Member of Audit Committee)</i>	3/4	N/A	1/2	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	0/1

Note:

Besides the 2016 AGM held on 22 December 2016, 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 other Executive Directors during the Year, for, amongst other matters, discussing 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

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 of the Listing Rules as its own code of conduct for Directors' securities transactions.

Following a specific enquiries made by the Company on them, all the Directors confirmed that they had complied with the required standard as set out in 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' AND AUDITOR'S 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.

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 to 41 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 11 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:

<u>Remuneration band (in HK\$)</u>	<u>Number of individuals</u>
Nil to 1,000,000	1
1,000,001 to 2,000,000	1

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITOR'S REMUNERATION

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

Category of Services	Fee paid/payable
	<i>HK\$'000</i>
Audit services	904
Non-audit services	
– Interim review	130
– Tax compliance	46
	<hr/>
	1,080
	<hr/>

RISK MANAGEMENT AND INTERNAL CONTROL

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. The Company has engaged an independent internal audit consultant (the "IA Consultant") to conduct a year-end review of the effectiveness of the Group's risk management and internal control systems annually and the systems are considered to be effective and adequate. The IA Consultant has also performed the 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.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION POLICY AND PROCEDURES

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors, company secretary and investor relations officers are authorised to communicate with parties outside the Group.

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 assess the Company’s overall performance, exercise their rights in an informed manner and engage actively with the Company.

The 2016 AGM was held on 22 December 2016. The notice of 2016 AGM was sent to Shareholders at least 20 clear business days before the 2016 AGM.

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 2016 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.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

1. Convening of a general meeting on requisition by shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings are entitled to send a request to the Company to convene a general meeting.

Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it.

2. Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the registered office of the Company and the Company Secretary shall then forward the same to the appropriate executives of the Company or members of the Board for further handling.

3. Procedures for putting forward proposals at AGM by shareholders

Pursuant to Section 615 of the CO, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates can request the Company to give notice of a resolution that may properly be moved and is intended to be moved at an AGM. A request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given. It must be authenticated by the person or persons making it and be received by the Company not later than 6 weeks before the AGM to which the request relates; or if later, the time at which notice is given of that meeting.

CORPORATE GOVERNANCE REPORT

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 the Directors and senior management.
- To review and monitor the Company's policies and practices in compliance with legal and regulatory requirements.
- 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, 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 2017 (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 25 and 15 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 42 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 HK30 cents per share, amounting to HK\$33,054,000, to the Shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 12 January 2018.

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 30 and 31 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.

REPORT OF THE DIRECTORS

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.

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.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders, and compliance with the relevant laws and regulations that have a significant impact on the Group are provided/will be provided in the Chairman's Statement, the Corporate Governance Report, the Directors' Report of this annual report and/or the 2016/2017 Environmental, Social and Governance Report to be available on the websites of the Stock Exchange and the Company respectively.

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 legal and 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, laws 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.

REPORT OF THE DIRECTORS

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 were 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.

OPERATING SEGMENTS INFORMATION

The Group's revenue and contribution to profit for the Year from operations analysed by principal activities are set out in note 5 to the consolidated financial statements.

SUBSIDIARIES AND JOINT VENTURES

Particulars of the Company's principal subsidiaries and joint ventures as at 30 September 2017 are set out in notes 25 and 15 to the consolidated financial statements respectively.

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 2017 were HK\$5,000.3 million (2016: HK\$4,610.8 million).

As at 30 September 2017, the Group's total bank balances and cash amounted to HK\$245.1 million (2016: HK\$199.9 million), of which over 93% (2016: 92%) was denominated in Hong Kong dollars, and 6% (2016: 7%) was denominated in Renminbi. The foreign exchange exposure of the Group was not significant given that its large asset base and operational cash flow primarily were denominated in Hong Kong dollars.

As at 30 September 2017, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK\$40.0 million (2016: HK\$70.0 million).

REPORT OF THE DIRECTORS

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:

	2017	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/> 40.0	<hr/> 70.0

The Group's bank term loan of HK\$40.0 million (that is repayable after two years but within five years after 30 September 2017 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 2017, the Group had undrawn banking facilities of HK\$451.0 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing and Charge on Assets

As at 30 September 2017, the debt to equity ratio, based on the Group's total borrowing of HK\$40.0 million and the Shareholders' funds of HK\$5,000.3 million, was 0.8%, as compared with 1.5% as at 30 September 2016.

As at 30 September 2017, investment properties and properties for own use of the Group with an aggregate carrying value of HK\$4,360.8 million and HK\$2.5 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

Commitments

Particulars of the commitments of the Group are set out in note 26 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Employees and Remuneration Policies

As at 30 September 2017, the Group had 101 (2016: 100) employees. The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK\$20.0 million (2016: HK\$19.3 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 the employees.

The Group recognises the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, the 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 the 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 the eligible employees.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 44 of this annual report and in note 25 to the consolidated financial statements respectively.

As at 30 September 2017, the Company's reserves available for distribution to Shareholders represented the retained profits of HK\$1,310.6 million (2016: HK\$1,283.3 million).

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group as at 30 September 2017 are set out on pages 107 to 108 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

REPORT OF THE DIRECTORS

GROUP BORROWING AND INTEREST CAPITALISED

Details of repayable on demand and long-term secured bank loan are shown in Note 23 to the consolidated financial statements.

There was no interest capitalised during the Year by the Group (2016: Nil).

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 106 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 84% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 62%.

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 Chang, Abraham and Mr. Sit 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 such Rule 3.13 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 7 and 8 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 (Resigned on 31 March 2017)
- 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions of the Directors and the 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 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); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange 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 <i>(Note 1)</i>	Other interests <i>(Note 2)</i>		
Wong Tat Chang, Abraham	450,800	–	80,633,866	81,084,666	73.6%
Wong Tat Kee, David	–	–	80,633,866	80,633,866	73.2%
Wong Tat Sum, Samuel	556,000	28,800	80,633,866	81,218,666	73.7%
Madam Lam	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 <i>(Note 2)</i>			
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, an executive Director (the “Executive Director”) 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.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 30 September 2017, none of the Directors or the chief executive of the Company had any interests and 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), 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); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 32 to the consolidated financial statements.

CONNECTED TRANSACTION

There were no other discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the Year and up to the date of this report. None of the "Related Party Transactions" as disclosed in note 32 to the consolidated financial statements for the Year constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules and the Company had complied with the relevant requirements of Chapter 14A of the Listing Rules during the Year.

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 forthcoming 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.

Other than disclosed below, 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.

REPORT OF THE DIRECTORS

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 2017, 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 the chief executive, the Company had not been notified by any person or entity, not being a Director or the chief executive of the Company, of interests and 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, Mr. Li had been a non-executive director of Kowloon Development Company Limited ("KDCL") (a company whose shares are listed on the Stock Exchange). KDCL was engaged in property investment and property development businesses. As such, Mr. Li was regarded as being interested in such businesses which competed or were likely to compete with the Group. Such businesses were managed by separate publicly listed company with independent management. The board composition of such listed company is different and separate from the Company.

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.

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.

REPORT OF THE DIRECTORS

Contributions to the MPF Scheme for the Year made by the Group amounted to HK\$667,000 (2016: HK\$700,000).

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Year.

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes of information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's last interim report up to the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the Year.

CORPORATE GOVERNANCE

The Company's key corporate governance practices are set out in the Corporate Governance Report on pages 9 to 24 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 audited 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 11 and 12 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 Friday, 29 December 2017. For determining the Shareholders' entitlement to attend and vote at the forthcoming Annual General Meeting, the Register of Members will be closed from Friday, 22 December 2017 to Friday, 29 December 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates 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 Thursday, 21 December 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the Year is subject to the approval by the Shareholders at the forthcoming Annual General Meeting. For determining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 10 January 2018 to Friday, 12 January 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend, non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 9 January 2018.

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, 23 November 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF POKFULAM DEVELOPMENT COMPANY LIMITED

博富臨置業有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 105, which comprise the consolidated statement of financial position as at 30 September 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment properties</i>	
<p>We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the significant judgement and estimation required in determining their fair values.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none">• Evaluating the competence, capabilities and objectivity of the Valuer;
<p>Investment properties of the Group mainly comprise commercial, industrial and residential properties. The fair value of investment properties amounted to HK\$4,651,170,000 as at 30 September 2017, with the fair value gain of HK\$323,934,000 recognised in the profit or loss for the year then ended.</p>	<ul style="list-style-type: none">• Obtaining an understanding of the valuation techniques and significant assumptions adopted by the management and the Valuer;• Evaluating the appropriateness of the valuation models and the judgements made by the management and the Valuer, in particular, the reversion yield based on our knowledge of the property market of the relevant locations; and
<p>As disclosed in notes 4 and 13 to the consolidated financial statements, in estimating the fair value of investment properties, the Group engaged an independent qualified external valuer (the "Valuer") to perform the valuation and worked with the Valuer to establish inputs to the valuation. The fair value of investment properties was arrived at by using direct comparison method or income capitalisation method, where appropriate.</p>	<ul style="list-style-type: none">• Checking the reasonableness of other significant unobservable inputs used by the Valuer in the valuation, in particular, the unit sale rates and monthly market rents, on a sample basis, against market data and entity specific information such as recent selling prices and rents.
<p>The valuations are dependent on certain significant unobservable inputs that involve judgements, including reversion yields, unit sale rates and monthly market rents.</p>	

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung Chung Yin Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 November 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

		2017	2016
	NOTES	HK\$'000	HK\$'000
Revenue	5	141,962	146,515
Cost of goods sold		(17,234)	(21,639)
Cost of rental and other operations		(30,838)	(28,913)
		93,890	95,963
Other income and gains		25,797	32,743
Other expense and losses		–	(6,134)
Selling and marketing expenses		(1,588)	(1,743)
Administrative expenses		(12,493)	(13,259)
Finance costs	6	(1,706)	(2,087)
Profit before changes in fair value of investments held for trading and investment properties		103,900	105,483
Increase (decrease) in fair value of investments held for trading		10,033	(1,514)
Increase in fair value of investment properties	13	323,934	169,850
		437,867	273,819
Share of losses of joint ventures		(1,963)	(861)
Profit before tax	7	435,904	272,958
Income tax expense	8	(15,483)	(13,268)
Profit for the year		420,421	259,690
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		1,022	(1,874)
Exchange gain (loss) arising from long term advances to a joint venture		516	(2,191)
		1,538	(4,065)
Total comprehensive income for the year		421,959	255,625
Profit for the year attributable to:			
Owners of the Company		419,883	259,012
Non-controlling interests		538	678
		420,421	259,690
Total comprehensive income for the year attributable to:			
Owners of the Company		421,421	254,947
Non-controlling interests		538	678
		421,959	255,625
		HK\$	HK\$
Earnings per share - basic	10	3.81	2.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

		2017	2016
	NOTES	HK\$'000	HK\$'000
Non-current Assets			
Investment properties	13	4,651,170	4,327,154
Property, plant and equipment	14	4,801	4,911
Interests in joint ventures	15	21,018	14,551
Amount due from a joint venture	15	132,364	146,329
Deposits and prepayments		1,944	–
Available-for-sale investment	16	8,000	8,000
		4,819,297	4,500,945
Current Assets			
Inventories	17	5,415	8,089
Investments held for trading	18	43,814	42,981
Loan to a joint venture	15	14,422	12,201
Trade and other receivables	19	8,192	12,186
Deposits and prepayments		11,013	5,117
Bank balances and cash	20	245,093	199,873
		327,949	280,447
Current Liabilities			
Trade and other payables	21	22,175	22,439
Amount due to a joint venture	15	206	–
Rental and management fee deposits		25,302	25,391
Provision for taxation		12,978	10,386
Bank loan, secured	23	40,000	70,000
		100,661	128,216
Net Current Assets		227,288	152,231
Total Assets less Current Liabilities		5,046,585	4,653,176
Capital and Reserves			
Share capital	22	146,134	146,134
Reserves		4,854,121	4,464,652
Equity attributable to owners of the Company		5,000,255	4,610,786
Non-controlling interests		7,549	8,692
Total Equity		5,007,804	4,619,478
Non-current Liability			
Deferred taxation	24	38,781	33,698
		5,046,585	4,653,176

The consolidated financial statements on pages 42 to 105 were approved and authorised for issue by the Board of Directors on 23 November 2017 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 2017

	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		
At 1 October 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
Profit for the year	–	–	419,883	419,883	538	420,421
Exchange difference arising on translation of foreign operations	–	1,022	–	1,022	–	1,022
Exchange gain arising from long term advances to a joint venture	–	516	–	516	–	516
Total comprehensive income for the year	–	1,538	419,883	421,421	538	421,959
Final dividend for 2016 paid	–	–	(27,545)	(27,545)	–	(27,545)
Interim dividend for 2017 paid	–	–	(4,407)	(4,407)	–	(4,407)
Dividend paid to non-controlling interests	–	–	–	–	(1,681)	(1,681)
At 30 September 2017	146,134	8,364	4,845,757	5,000,255	7,549	5,007,804

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Profit before tax	435,904	272,958
Adjustments for:		
Increase in fair value of investment properties	(323,934)	(169,850)
(Increase) decrease in fair value of investments held for trading	(10,033)	1,514
Loss (gain) on disposal of property, plant and equipment	5	(175)
Depreciation on property, plant and equipment	790	943
Dividend income from an investee company classified as an available-for-sale investment	(13,333)	(22,331)
Imputed interest income on amount due from a joint venture	(5,312)	(4,603)
Interest income	(3,613)	(3,574)
Dividend income	(2,089)	(1,578)
Finance costs	1,706	2,087
Share of losses of joint ventures	1,963	861
Operating cash flows before movements in working capital	82,054	76,252
Decrease (increase) in inventories	2,674	(514)
Decrease in investments held for trading	9,200	–
Increase in trade and other receivables, deposits and prepayments	(6,370)	(2,723)
Increase in trade and other payables, rental and management fee deposits	4,649	132
Cash generated from operations	92,207	73,147
Interest received	1,517	1,510
Dividend received	2,089	1,578
Hong Kong Profits Tax paid	(7,808)	(7,575)
Net cash from operating activities	88,005	68,660

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investing activities		
Purchase of property, plant and equipment	(685)	(1,318)
Proceeds on disposal of property, plant and equipment	–	245
Addition of investment properties	(2,560)	(20,418)
Dividend received from an investee company classified as an available-for-sale investment	13,333	22,331
Investment in a joint venture	(500)	–
Repayment from (advance to) joint ventures	12,739	(11,429)
Net cash from (used in) investing activities	22,327	(10,589)
Financing activities		
Bank loan raised	40,000	–
Repayment of bank loan	(70,000)	–
Dividends paid	(31,952)	(29,748)
Interest paid	(1,706)	(1,568)
Dividend distribution to non-controlling shareholders	(1,681)	–
Net cash used in financing activities	(65,339)	(31,316)
Net increase in cash and cash equivalents	44,993	26,755
Cash and cash equivalents at the beginning of the financial year	199,873	173,533
Effect of foreign exchange rate changes	227	(415)
Cash and cash equivalents at the end of the financial year	245,093	199,873
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	245,093	199,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL

Pokfulam Development Company Limited (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 and securities investment.

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 (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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
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 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

Amendments to HKAS 1 Disclosure Initiative (Continued)

As regards the structure of the consolidated financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Specifically, information to capital risk management and financial instruments were reordered to notes 30 and 31 respectively. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

Other than disclosed above, application of the amendments to HKFRSs and HKASs in the current year has had no material impact on the Group’s financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs and interpretations in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ²
HKFRS 16	Leases ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ⁴
Amendments to HKAS 7	Disclosure Initiative ⁵
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁵
Amendments to HKAS 40	Transfers of Investment Property ²

¹ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective for annual periods beginning on or after 1 January 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

New and amendments to HKFRSs and interpretations in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. 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.

Based on the Group’s financial instruments and risk management policies as at 30 September 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

New and amendments to HKFRSs and interpretations in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

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

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 will be adopted in the Group’s consolidated financial statements for the annual period beginning on 1 October 2018 and the application of HKFRS 15 may result in more disclosures, however, it is not expected to have significant impact on amounts reported in the consolidated financial statements based on the assessment on the existing contracts with customers after taking into account the above core principle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

New and amendments to HKFRSs and interpretations in issue but not yet effective (Continued)

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs and interpretations will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint ventures

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. The financial statements joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint ventures (Continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, 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. 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 the relevant 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of 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 disposal or partial disposal of the Group's interests.

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).

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 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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. Fair value is determined in the manner described in note 31(c).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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, 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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.

Building management fees income are recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 2017

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 of the Company 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 judgement in applying accounting policies

The following is the critical judgement, 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 of the Company 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 2017

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

Key sources of estimation uncertainty

The key assumption concerning the future, and key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 September 2017 at their fair value, details of which are disclosed in note 13. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent qualified external valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable 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 2017 is HK\$4,651,170,000 (2016: HK\$4,327,154,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rentals and building management fees	111,332	111,791
Sale of goods	28,541	33,146
Dividend income from investments held for trading	2,089	1,578
	141,962	146,515

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 2017

5. 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 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	111,332	28,541	2,089	141,962	-	141,962
Inter-segment	1,674	113	-	1,787	(1,787)	-
	113,006	28,654	2,089	143,749	(1,787)	141,962
Segment profit (Note)	412,085	3,090	12,112	427,287	-	427,287
Other income and gains						24,153
Central administrative costs						(11,867)
Finance costs						(1,706)
Share of losses of joint ventures						(1,963)
Profit before tax						435,904

Note: Segment profit of property investment and management division included an increase in fair value of investment properties of HK\$323,934,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 (<i>Note</i>)	260,246	2,815	86	263,147	–	263,147
Other income and gains						31,355
Other expense and losses						(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.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit represents the profit earned by each segment without allocation of certain other income and gains (mainly including interest income and dividend income from available-for-sale investment), other expense and losses, central administrative costs, finance costs and share of losses of joint ventures. 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 2017

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information

Amounts included in the measure of segment profit:

Year ended 30 September 2017

	Property investment and management	Trading of goods	Securities investment
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	443	47	–
Loss on disposal of property, plant and equipment	5	–	–
Increase in fair value of investments held for trading	–	–	(10,033)

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

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 segment information 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 2017

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	948	904
Loss (gain) on disposal of property, plant and equipment	5	(175)
Depreciation on property, plant and equipment	790	943
Staff costs (including directors' emoluments)	19,925	19,281
Imputed interest income on amount due from a joint venture	(5,312)	(4,603)
Interest income from loan to a joint venture	(2,096)	(2,064)
Bank interest income	(1,517)	(1,510)
Foreign exchange (gain) loss, net	(1,049)	6,134
Dividend income from an investee company classified as an available-for-sale investment	(13,333)	(22,331)
Gross rental income	(102,754)	(102,461)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	10,235	9,735
	(92,519)	(92,726)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

8. INCOME TAX EXPENSE

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense comprises:		
Company and subsidiaries		
Hong Kong Profits Tax:		
– Current tax	10,605	9,419
– Overprovision in prior year	(205)	(563)
	10,400	8,856
Deferred tax charge (<i>note 24</i>)	5,083	4,412
	15,483	13,268

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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	435,904	272,958
Tax at Hong Kong Profits Tax rate of 16.5%	71,924	45,038
Tax effect of non-deductible expenses	2,824	1,532
Tax effect of non-taxable income	(59,134)	(32,745)
Overprovision in prior year	(205)	(563)
Effect of share of losses of joint ventures	324	142
Tax effect of tax losses not recognised	5	6
Others	(255)	(142)
Income tax expense	15,483	13,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

9. DIVIDENDS

	2017	2016
	HK\$'000	HK\$'000
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2016 of HK25 cents per ordinary share (2016: for the year ended 30 September 2015 of HK23 cents per ordinary share)	27,545	25,341
Interim dividend for the year ended 30 September 2017 of HK4 cents per ordinary share (2016: for the year ended 30 September 2016 of HK4 cents per ordinary share)	4,407	4,407
	31,952	29,748
Dividend proposed:		
Final dividend for the year ended 30 September 2017 of HK30 cents per ordinary share (2016: for the year ended 30 September 2016 of HK25 cents per ordinary share)	33,054	27,545

The final dividend of HK30 cents (2016: HK25 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.

10. 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\$419,883,000 (2016: HK\$259,012,000) and on 110,179,385 (2016: 110,179,385) ordinary shares in issue during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the six (2016: six) directors of the Company are as follows:

	Fees	Basic salaries, allowances and benefits-in-kind	Contributions to retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 September 2017				
<i>Executive Directors:</i>				
Wong Tat Chang, Abraham	100	2,031	–	2,131
Wong Tat Kee, David	80	–	–	80
Wong Tat Sum, Samuel	80	–	–	80
<i>Independent non-executive Directors:</i>				
Lam Hsieh Lee Chin, Linda	80	25	–	105
Li Kwok Sing, Aubrey	80	100	–	180
Sit Hoi Wah, Kenneth	80	75	–	155
	500	2,231	–	2,731
Year ended 30 September 2016				
<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
	500	2,159	20	2,679

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.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the Chief Executive waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2016: one) was a director of the Company whose emoluments have been included in note 11 above. The emoluments of the remaining four (2016: four) individuals were as follows:

	2017	2016
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits-in-kind	2,985	3,019
Performance related bonus	400	705
Contributions to retirement benefit scheme	88	88
	3,473	3,812

Their emoluments were within the following bands:

	2017	2016
	No. of employees	No. of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	2	2

13. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 October 2015	4,134,199
Addition during the year	23,105
Increase in fair value recognised in the profit or loss	169,850
	4,327,154
At 30 September 2016	4,327,154
Addition during the year	82
Increase in fair value recognised in the profit or loss	323,934
	4,651,170
At 30 September 2017	4,651,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. 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 in fair value of investment properties is set out below:

	2017	2016
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	226,000	122,785
Commercial	81,638	37,430
Industrial	10,450	7,500
Properties located in the PRC:		
Residential	5,846	2,135
	323,934	169,850

(c) Fair value measurements and valuation processes

In estimating the fair value of investment properties, it is the Group's policy to engage independent 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 2017 and 2016 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by Cushman & Wakefield Limited, which is a firm of independent qualified external 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 or 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, being the reversion yield, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's 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 2017

13. 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 2017

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 location, and individual factors, such as frontage and size, between the comparable and the property, of ranging from HK\$480,000 to HK\$950,000 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 2.0% 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 2017

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2017 (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 location and individual factors such as frontage and size, between the comparable and the property, of ranging from HK\$11.8 to HK\$136.9 per square feet per month on lettable area basis.	An increase in the monthly market rent used would result an increase in the fair value measurement of the investment properties by the same percentage, 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%.	An 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 RMB86 per square meter per month on lettable area basis.	An increase in the monthly market rent used would result in an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. INVESTMENT PROPERTIES (CONTINUED)

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

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, 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

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13. 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.	An increase in the monthly market rent used would result in an increase in the fair value measurement of the investment properties by the same percentage, 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.	An increase in the monthly market rent used would result in an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. 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 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong under long lease	Building	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 October 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
Additions	–	–	297	388	685
Disposals	–	–	(182)	–	(182)
At 30 September 2017	1,172	5,269	26,674	3,212	36,327
DEPRECIATION					
At 1 October 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
Provided for the year	8	105	489	188	790
Eliminated on disposals	–	–	(177)	–	(177)
At 30 September 2017	314	3,589	25,664	1,959	31,526
CARRYING VALUES					
At 30 September 2017	858	1,680	1,010	1,253	4,801
At 30 September 2016	866	1,785	1,207	1,053	4,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

14. 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%

15. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM/TO A JOINT VENTURE/ LOAN TO A JOINT VENTURE

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of unlisted investments (<i>Note i</i>)	503	3
Fair value adjustments on non-current interest-free amount due from a joint venture	50,974	44,356
Dividend declared	(62,200)	(62,200)
Share of post-acquisition profits	23,148	25,111
Cumulative exchange gain arising from long term advances	4,680	4,164
Exchange realignment	3,913	3,117
	21,018	14,551
Amount due from a joint venture – non-current (<i>Note ii</i>)	132,364	146,329
Loan to a joint venture – current (<i>Note iii</i>)	14,422	12,201
Amount due to a joint venture – current	(206)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM/TO A JOINT VENTURE/ LOAN TO A JOINT VENTURE (CONTINUED)

Notes:

- i. As at 30 September 2017, the cost of investments comprised of two investments in joint ventures of HK\$3,000 and HK\$500,000 respectively (2016: HK\$3,000).

The investment in a joint venture of HK\$3,000 (2016: HK\$3,000) represents a 33 $\frac{1}{3}$ % 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.

The investment in a joint venture of HK\$500,000 represents a 50% interest in the issued capital of Elevant – Garde Limited (“Elevant – Garde”), a company incorporated in Hong Kong. Elevant – Garde is principally engaged in providing consulting, technical support and engineering services for visual and sound system and equipment.

- 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\$6,618,000 (2016: HK\$5,312,000) 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 2017 was 5.00% (2016: 6.00%) per annum.

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK\$58,700,000 (2016: HK\$57,800,000) receivable by the Group has not yet been settled as at 30 September 2017 and was included in the balance of amount due from a joint venture at 30 September 2017. 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 HK\$, 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 2017, loan to a joint venture of HK\$9,392,000 (2016: HK\$9,248,000) is unsecured and carries interest at 22.32% per annum and is denominated in Renminbi (“RMB”), which is the functional currency of the joint venture. The remaining interest receivable of HK\$5,030,000 (2016: HK\$2,953,000) is expected to be repaid within twelve months together with the loan.

- iv. 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 and (ii) the shareholder’s loan owing by the Silver Gain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM/TO A JOINT VENTURE/ LOAN TO A JOINT VENTURE (CONTINUED)

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Consolidated financial information regarding Silver Gain and its subsidiary is set out below:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	32,943	31,884
Expenses	(38,484)	(34,467)
Loss for the year	(5,541)	(2,583)
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position		
Non-current assets	1,896	2,088
Current assets	589,350	610,383
Current liabilities	(119,913)	(134,346)
Non-current liabilities	(409,428)	(434,472)
Net assets	61,905	43,653

Reconciliation of the above consolidated financial information to the carrying amount of the interest in Silver Gain and its subsidiary recognised in the consolidated financial statements:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets	61,905	43,653
Proportion of the Group's ownership interest in Silver Gain	33 $\frac{1}{3}$ %	33 $\frac{1}{3}$ %
	20,635	14,551

Summarised financial information of the Group's immaterial joint venture:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
The loss and total comprehensive expense for the year	(234)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment as at 30 September 2017 and 2016 comprise:

	2017	2016
	<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.

17. INVENTORIES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading inventories	5,415	8,089

The cost of inventories recognised as an expense during the year was HK\$17,234,000 (2016: HK\$21,639,000).

18. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

19. 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.

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	4,300	4,470
Other receivables	3,892	7,716
Total trade and other receivables	8,192	12,186

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,513	4,019
31 – 60 days	300	64
61 – 90 days	246	63
Over 90 days	1,241	324
	4,300	4,470

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\$3,854,000 (2016: HK\$1,203,000) 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 2017

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue:		
1 – 30 days	2,067	752
31 – 60 days	300	64
61 – 90 days	246	63
Over 90 days	1,241	324
	3,854	1,203

20. BANK BALANCES AND CASH

Bank balances carry interest rates at prevailing rates which range from 0.01% to 3.47% (2016: 0.01% to 4.43%) per annum.

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	230,363	185,429
RMB	14,017	13,395
Others	713	1,049
	245,093	199,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

21. 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,949	2,347
31 – 60 days	1,998	504
61 – 90 days	71	32
Over 90 days	447	97
	<hr/>	<hr/>
Other payables	5,465	2,980
Renovation fee and retention payable	15,424	17,283
Deposits received for sale of goods	229	763
	1,057	1,413
	<hr/>	<hr/>
	22,175	22,439

22. SHARE CAPITAL

	Number of shares	Share capital
		<i>HK\$'000</i>
Issued and fully paid		
At 1 October 2015, 30 September 2016 and 30 September 2017		
– Ordinary shares with no par value	110,179,385	146,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

23. BANK LOAN

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loan		
Repayable based on the scheduled repayment date set out in the loan agreement:		
– Within one year	–	70,000
– More than two years, but not exceeding five years	40,000	–
	40,000	70,000

The Group's bank loan of HK\$40,000,000 (2016: HK\$70,000,000) contains a repayment on demand clause and therefore is shown under current liabilities.

The bank loan carries interest at Hong Kong Interbank offered Rate ("HIBOR") plus certain basis points and is denominated in HK\$, which is the functional currency of the relevant group entity.

The effective interest rate of the bank loan is 2.42% (2016: 2.24%) per annum.

At 30 September 2017, the Group had unutilised bank loan facilities of HK\$451,000,000 (2016: HK\$420,000,000).

24. 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 2015	31,402	58	6,882	(9,056)	29,286
Charge (credit) to profit or loss	3,607	106	(250)	949	4,412
At 30 September 2016	35,009	164	6,632	(8,107)	33,698
Charge to profit or loss	3,896	197	218	772	5,083
At 30 September 2017	38,905	361	6,850	(7,335)	38,781

At the end of the reporting period, the Group had unused tax losses of HK\$45,419,000 (2016: HK\$50,068,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK\$44,454,000 (2016: HK\$49,133,000). No deferred tax asset has been recognised on the tax losses of HK\$965,000 (2016: HK\$935,000) 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 2017

25. FINANCIAL POSITION OF THE COMPANY

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets		
Investment properties	3,815,220	3,539,700
Property, plant and equipment	2,813	2,777
Investments in subsidiaries	58,207	51,589
Amounts due from subsidiaries	449,018	464,620
Deposits and prepayments	1,944	–
Available-for-sale investment	8,000	8,000
	4,335,202	4,066,686
Current Assets		
Trade and other receivables	1,243	655
Deposits and prepayments	1,078	425
Bank balances and cash	236,002	191,371
	238,323	192,451
Current Liabilities		
Trade and other payables	7,740	7,625
Rental and management fee deposits	18,525	19,148
Amounts due to subsidiaries	17,967	6,719
Provision for taxation	7,708	6,792
	51,940	40,284
Net Current Assets	186,383	152,167
Total Assets less Current Liabilities	4,521,585	4,218,853
Capital and Reserve		
Share capital	146,134	146,134
Retained profits (<i>Note</i>)	4,356,190	4,056,467
	4,502,324	4,202,601
Non-current Liability		
Deferred taxation	19,261	16,252
	4,521,585	4,218,853

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 2017

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	<u>Retained profits</u> <i>HK\$'000</i>
At 1 October 2015	3,838,977
Profit for the year	247,238
Final dividend for 2015 paid	(25,341)
Interim dividend for 2016 paid	(4,407)
	<hr/>
At 30 September 2016	4,056,467
Profit for the year	331,675
Final dividend for 2016 paid	(27,545)
Interim dividend for 2017 paid	(4,407)
	<hr/>
At 30 September 2017	4,356,190

The Company's reserve available for distribution to shareholders as at 30 September 2017 represent the retained profits of HK\$1,310,550,000 (2016: HK\$1,283,256,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2017 and 2016, which are incorporated and operating principally in Hong Kong unless otherwise stated, are as follows:

Name of subsidiaries	Issued share capital/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2017	2016	2017	2016	
		%	%	%	%	
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 2017

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Name of subsidiaries	Issued share capital/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2017	2016	2017	2016	
		%	%	%	%	
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 2017

26. COMMITMENTS

At the end of the reporting period,

- (a) the Group had outstanding commitments in respect of property renovation cost of HK\$12,298,000 (2016: HK\$341,000) 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\$450,000 (2016: HK\$561,000) in respect of the cost of development of the commercial/residential complex contracted for but not provided in its consolidated financial statements.
- (c) the Group had outstanding commitments in respect of investment in a joint venture of HK\$1,500,000 (2016: Nil) contracted for but not provided in the Group's consolidated statements of financial position.

27. PLEDGED ASSETS

At the end of the reporting period, investment properties and leasehold land and building of the Group with carrying amount of approximately HK\$4,360,800,000 (2016: HK\$4,054,900,000) and HK\$2,538,000 (2016: HK\$2,651,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

28. LEASE ARRANGEMENTS

At the end of the reporting period, the Group's investment properties with an aggregate carrying amount of HK\$3,864,308,000 (2016: HK\$4,128,853,000) was leased out under operating leases for periods ranging from one to seven 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	55,058	54,617
In more than one year but not more than two years	17,128	7,244
In more than two years but not more than five years	17,251	110
More than five years	7,159	–
	96,596	61,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

29. 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\$667,000 (2016: HK\$700,000) represents contributions paid and payable to the plan by the Group at rates specified in the rules of the plan.

30. 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 23, and equity attributable to owners of the Company, comprising issued share capital, retained profits and translation reserve.

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 2017

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017	2016
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	400,071	370,589
Available-for-sale investment	8,000	8,000
Investments held for trading	43,814	42,981
Financial liabilities		
At amortised cost	61,324	91,027

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, amount due to a joint venture 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 2017

31. 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:

	2017	2016
	HK\$'000	HK\$'000
RMB	72,386	78,267

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 HK\$ against RMB. 5% (2016: 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% (2016: 5%) change in RMB. A negative number below indicates a decrease in post-tax profit where HK\$ strengthen 5% (2016: 5%) against RMB. For a 5% (2016: 5%) weakening of the HK\$ against RMB, there would be an equal and opposite impact on the profits.

	2017	2016
	HK\$'000	HK\$'000
RMB	(3,619)	(3,268)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. 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 15 for details). The Group's cash flow interest rate risk relates primarily to a floating-rate bank loan and bank balances and mainly concentrated on the fluctuation of HIBOR. 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.

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 (2016: 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 2017 would decrease/increase by approximately HK\$167,000 (2016: 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 2017

31. 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% (2016: 20%) higher/lower, the Group's profit for the year ended 30 September 2017 would increase/decrease by approximately HK\$7,317,000 (2016: increase/decrease by approximately HK\$7,178,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 30 September 2017, 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 2017

31. 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

	Weighted average effective interest rate	Within 1 year or on demand	Total undiscounted cash flows	Carrying amount
		HK\$'000	HK\$'000	HK\$'000
2017				
Non-derivative financial liabilities				
Trade and other payables	–	21,118	21,118	21,118
Amount due to a joint venture	–	206	206	206
Rental and management fee deposits	–	25,302	25,302	25,302
Bank loan at variable rate	2.42%	40,000	40,000	40,000
		86,626	86,626	86,626
	Weighted average effective interest rate	Within 1 year or on demand	Total undiscounted cash flows	Carrying amount
		HK\$'000	HK\$'000	HK\$'000
2016				
Non-derivative financial liabilities				
Trade and other payables	–	21,026	21,026	21,026
Rental and management fee deposits	–	25,391	25,391	25,391
Bank loan at variable rate	2.24%	70,000	70,000	70,000
		116,417	116,417	116,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk (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 2017, the principal amount of such bank loan amounted to HK\$40,000,000 (2016: HK\$70,000,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loan is expected to be fully repaid in January 2020 (2016: January 2017) in accordance with the loan repayment schedule. On this basis, the aggregate principal and interest for the bank loan would be as follows:

	Weighted average effective interest rate	0 to 3 months	4 to 12 months	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2017							
Bank loan at variable rate	2.42%	247	741	988	40,279	42,255	40,000
2016							
Bank loan at variable rate	2.24%	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 of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2017	2016		
	HK\$'000	HK\$'000		
Investments held for trading				
Listed equity securities	43,814	42,981	Level 1	Quoted prices in an active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

There were no transfer out of level 1 during the year.

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.

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2017	2016
	HK\$'000	HK\$'000
Short-term benefits	6,116	6,383
Post-employment benefits	88	108
	6,204	6,491

The remuneration of directors of the Company 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

	2013	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	131,015	136,215	132,473	146,515	141,962
Profit for the year	224,252	179,228	172,529	259,690	420,421
Profit for the year attributable to:					
Owners of the Company	223,489	178,001	172,434	259,012	419,883
Non-controlling interests	763	1,227	95	678	538
	224,252	179,228	172,529	259,690	420,421

(B) CONSOLIDATED NET ASSETS

	2013	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	4,252,023	4,413,624	4,547,930	4,781,392	5,147,246
Total liabilities	(144,224)	(158,322)	(154,329)	(161,914)	(139,442)
Net assets	4,107,799	4,255,302	4,393,601	4,619,478	5,007,804
Equity attributable to owners of the Company	4,099,185	4,247,383	4,385,587	4,610,786	5,000,255
Non-controlling interests	8,614	7,919	8,014	8,692	7,549
Total	4,107,799	4,255,302	4,393,601	4,619,478	5,007,804

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