博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : 225

Creating the Properties of Tomorrow

Property leasing | Management | Development

ANNUAL REPORT 2017 / 2018

CONTENTS

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
The Hongkong and
Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.

SOLICITORS

Woo Kwan Lee & Lo
Zhong Lun Law Firm
Tony Kan & Co.
Huen & Partners Solicitors

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

https://www.pokfulam.com.hk

SHARE INFORMATION

Place of Listing

Main Board of
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 Company and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the year ended 30 September 2018 was approximately HK$480.8 million, as compared to approximately HK$419.9 million in the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of approximately HK$420.9 million (2017: HK$323.9 million) on investment properties;
- A revaluation loss of approximately HK$8.9 million (2017: gain of HK$10.0 million) on listed securities investments;
- Share of losses of joint ventures of approximately HK$5.8 million (2017: HK$2.0 million);
- A provision for repair and maintenance of approximately HK$5.1 million (2017: Nil); and
- Exchange loss on amount due from a joint venture of approximately HK$1.7 million (2017: gain of HK$0.9 million).

If those items and their net taxation expenses of approximately HK$1.6 million (2017: HK$4.1 million) were excluded, the operating net profit after taxation for the year would have been HK$83.0 million (2017: HK$91.2 million), representing a decrease of 9% from the previous year.

DIVIDEND

The Board has recommended the payment of a final dividend of HK34 cents per share in respect of the year ended 30 September 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 7 January 2019. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 6 July 2018, would give a total dividend of HK38 cents per share for the whole financial year (2017: HK34 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Thursday, 27 December 2018, it is expected that the final dividend would be paid to the Shareholders on Wednesday, 16 January 2019.

CHAIRMAN'S STATEMENT

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 7% below that of the last financial year.

The decrease was mainly due to a 12% reduction in revenue from the Group's residential properties. A primary cause for this reduction was the loss in rental income from No. 4 Headland Road where the building has to be vacated for a major renovation program to be carried out. Rental income of our properties at No. 3 Headland Road was adversely affected by the construction work on the adjacent property.

Revenue from the Group's office and industrial properties had shown a 3% increase over that of the previous year, which was in line with the local segment trends.

Elephant Holdings Limited ("EHL") – the sales revenue of this subsidiary was similar to that of last year. EHL specializes in design, supply and installation of Public Address/CCTV Security/Audio-Video ("AV") Systems and sales of high-end Hi-Fi systems and equipment. In the past year, this Company has made investment to strengthen its IT-infrastructure and engineering capacity so as to become more competitive in bidding for large-scale AV over IP (Internet Protocol) projects.

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 in 2017.

During the period under review, the three shareholders of the Joint Venture Company have agreed to realise the accumulated profit generated from this Project by disposing their shares of equity interests in the Joint Venture Company. Owing to the fact that one of the shareholders, Million Global Limited, is a wholly-owned subsidiary of COFCO corporation which is a state-owned enterprise held by the Central Government of the People's Republic of China, disposal of their assets needs to be approved by the ultimate State-owned holding company. Upon approval, sale of their equity interest has to go through an open tendering process through a government approved United Assets and Equity Exchanges ("Exchanges") in China for transfer of State-owned asset as required by the laws of People's Republic of China. During the Year and up to the date of this Statement, the three shareholders have been preparing an open tender jointly for their own equity interests in the Joint Venture Company through the Exchanges in Shanghai. The tendering process would start once the documentation for this process is completed. The Group will seriously consider disposing its share of the entire equity interest in this Project when a reasonable offer is received.

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.

PROSPECTS

The trade conflict between the US and China in the past six months, coupled with the possibility of rise in interest rates in the United States have caused economic uncertainty, as reflected in the downturn of the stock market and the recent drop in property prices. The economic outlook of Hong Kong to a large extent depends on China and the US to resolve their difference. In view of the above, the overall rental income of the Group is not expected to increase in the coming year.

In spite of the above, the Group continues to look for new investment opportunities, and has also committed to upgrade its property holdings to enhance their competitiveness in the rental market. Smart-home features and other modern amenities will be installed in the Group's selected residential properties once they become vacant upon lease expiration.

CHAIRMAN'S STATEMENT

For diversification and expansion of investment into different real estate sectors, the Group on 2 October 2018 has subscribed for a participation in a third-party property investment fund "TKO Fund" with capital commitment of HK$39.0 million. The objective of TKO Fund is to co-invest 50/50 with a reputable institutional investor in three properties (the "Properties") in Tseung Kwan O, which include a total gross floor area of retail spaces of approximately 300,000 sq. ft. and car parking spaces. The total equity investment amount for the whole investment of the Properties is approximately HK$1,950.0 million and the sharing between the institutional investor and TKO Fund targeted approximately HK$975.0 million (50%) and HK$975.0 million (50%) respectively. Subject to the prevailing market conditions, it is expected that the holding period of the investment in the Properties shall be approximately 5 years from its acquisition date. The Group considers the investment in TKO Fund to be a better alternative instead of making direct investment in the Properties.

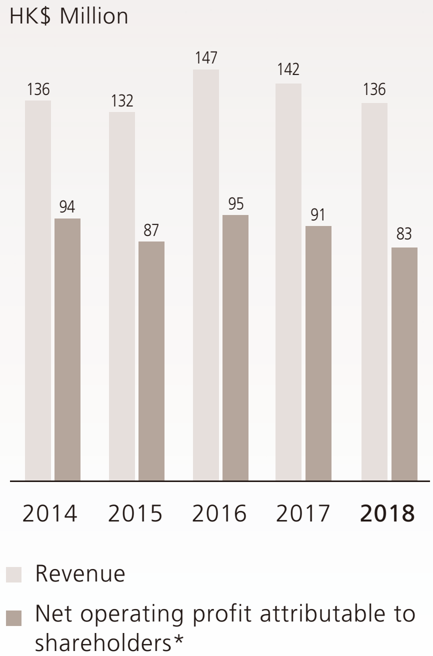
I thank my colleagues on the Board and our staff members for their loyal service and hard-work, and am also grateful to the Shareholders for their continued support to the Company.

Wong Tat Chang, Abraham
Chairman and Managing Director

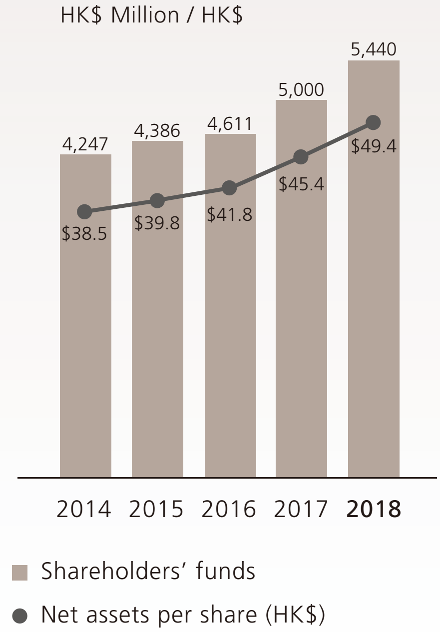
Hong Kong, 19 November 2018

FINANCIAL HIGHLIGHTS

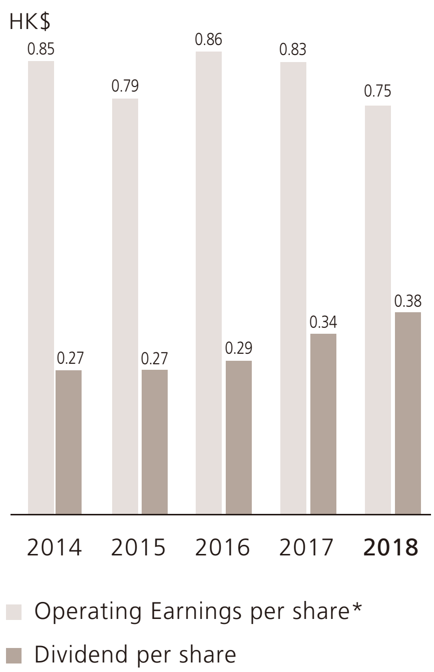
Revenue/Net Operating Profit



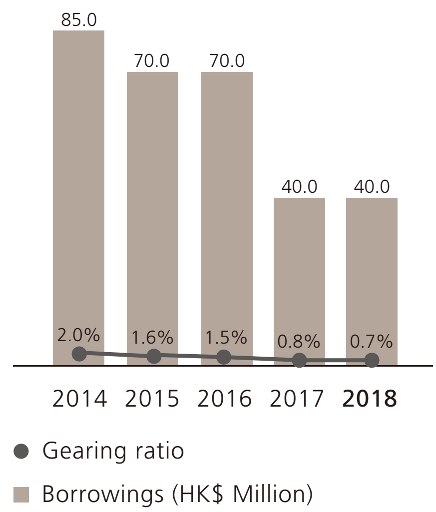
Shareholders' Funds/Net Assets per Share



Operating Earnings/Dividend per Share



Gearing/Borrowings



* Excluding the impacts of major non-operating items (net of taxation)

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: 67)

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: 66)

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: 63)

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: 91)

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: 68)

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 The Bank of East Asia, Limited, and an independent non-executive director of each of Cafe de Coral Holdings Limited, Kunlun Energy Company Limited, Kowloon Development Company Limited and Tai Ping Carpets International Limited, all being companies listed on the Stock Exchange.

SIT HOI WAH, KENNETH

LLB (Hons.)

Independent Non-executive Director (Age: 60)

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) and Tree Holdings Limited (a company listed on GEM of the Stock Exchange).

SENIOR MANAGEMENT

WONG CHIN YEE

General Manager (Age: 36)

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 8 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, the Chairman and the Managing Director of the Company and an ED and a nephew of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both EDs.

HUI SUI YUEN

FCPA

Company Secretary and Financial Controller (Age: 39)

Mr. Hui joined the Group in July 2012 and is now the Company Secretary and Financial Controller, responsible for the company secretarial, financial and accounting matters of the Group. 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 fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 17 years' accounting and finance working experience.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Introduction

Pokfulam Development Company Limited and its subsidiaries (collectively the "Company" or the "Group") are committed to our collective role as a responsible corporate citizen. The Board cares about the impact of our businesses on the environment and society by carrying out up-to-date evaluation and determination of Environmental, Social and Governance ("ESG") risks. The Group has designated various business units to implement and ensure effective ESG risk management mechanism and internal control systems in place.

As a property investment and investment holding company, caring for our internal and external stakeholders are our major concerns. In addition to carrying out our property investment and management activities diligently and professionally, we strive to minimise environmental negative impacts caused to the public in the vicinity of our managed properties. On-site management is also strictly monitored, to ensure the utmost well-being of our customers and staff.

The Group focuses on interests and expectations of our stakeholders and strives towards a better life and a better future.

Report Compilation Basis

This Report is prepared with reference to the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The information disclosed in this Report is derived from the results of internal statistics and analysis of the Group's internal management systems.

The Reporting Principles set out in "Environmental, Social and Governance Reporting Guide" are well applied in this report. All material Aspects are identified through stakeholder engagement and materiality assessment and validated by our senior management. We use social media channel to obtain opinions of ESG aspects in our business from our stakeholders and employ an independent professional third-party consultant to prioritise material Aspects for reporting by consideration of significance of the materials Aspects to environmental, economic and social impacts and also to stakeholders.

We strike the best to provide objective, accurate and balanced information in this report.

ABOUT THIS REPORT (CONTINUED)

Scope of Reporting

This is our second annual ESG Report, and it describes the initiatives of the Group and its progress with regard to ESG issues for the period from 1 October 2017 to 30 September 2018.

Head office and the managed properties of the following entities were chosen for inclusion in this ESG Report because of their significant contributions to the Company, thus making them ideal proxies for the Group's property investment and management businesses:

Property Name	Property Type
13/F, Wyler Centre Phase 2	Industrial
14/F, Wyler Centre Phase 2	Industrial
1/F, 88A Pok Fu Lam Road	Residential
Kennedy Court	Residential
Beverly House	Business
Scenic Villas K1-K15 & L1-L15	Residential
Scenic Villas D1-D14	Residential
Scenic Villas A-3 and part of car port area	Business
3-4 Headland Road	Residential

By adopting consistency and quantitative principles, data collection and analysis were conducted based on relevant guidelines or standards, such as ISO 14064 for greenhouse gas emissions. All numerical data is presented as absolute figures, and all financial data is in Hong Kong dollars unless otherwise specified. Employees of contractors and sub-contractors for whom we have no direct responsibility are not included as part of our workforce. Throughout this report, "shareholder" means the holder of the Company's Share.

A detailed ESG content index has been included at the back of this report to aid the reader and facilitate greater transparency. Additional ESG performance information, including financial data and corporate governance information, can be found in the Annual Report.

We would like to extend our deepest thanks to all those who contributed to this report and to our strong ESG performance.

OVERVIEW OF ESG PERFORMANCE

The following programmes have been arranged for 2017-2018 to match with the ESG targets set by the Group.

Subject Areas	Material Aspects	Policy/Legal Compliance	Management Approach
Environment	Emissions	✓	Reduce business travel
	Use of Resources	✓	Sustainable use of resources in order to reduce of purchase
	The Environment and Natural Resources	✓	Facilitate auto transfer payment from tenants
Social – Employment and Labour Practices	Employment	✓	We would not reject the employ applicants by factors of sex, age, race, etc.
	Health and Safety	✓	Provide OHS training to introduce the workplace hazard areas
	Development and Training	✓	Training subsidies to staff
	Labour Standards	✓	No forced labour allowed
Social – Operating Practices	Supply Chain Management	✓	Review contractor performance each time when a job is completed in order to reduce waste and not using any hazardous material during work
	Product Responsibility	✓	Ensure the hand-over quality of properties to customers is based on company pre-set standards
	Anti-corruption	✓	All employees follow anti-corruption policies
Social – Community	Community Investment	✓	Support charity events in health promotion

ENVIRONMENT

Emissions Control Management

The Group is committed to the various management approaches relating to air, greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste:

- Comply with the relevant environmental legislation and contractual environmental requirements;
- Promote and implement environmental management including greenhouse gas emission, water and land discharges, and generation of hazardous and non-hazardous waste management to mitigate any environmental impact;
- Provide sufficient resources for the implementation of pollution abatement, waste management and ecological mitigation.

For air emission control, all employees comply with business travelling policy to reduce the use of company vehicles to minimise the air emission. We have achieved significant achievement in emission reduction results. Annual emission of sulphur oxides from vehicles has reduced 59.6% compared to 2016/17. Total greenhouse gas emission intensity has reduced 30.8% compared to 2016/17.

Annual Emission Data From Vehicles

Pollutant	Sulphur oxides (SOx)	
	2016/17	**2017/18**
g	53.17	**21.47**

Total Greenhouse Gas Emissions

Emission	Scope 1		Scope 2		Total		Intensity (tonnes per working day)	
	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
Carbon dioxide equivalent (tonnes)	9.46	**6.27**	22.96	**15.54**	32.42	**21.82**	0.13	**0.09**

Note: Scope of calculation is limited to Head Office operations. Scope 1 includes mobile combustion emission; scope 2 includes energy indirect emissions; scope 3 includes electricity used for sewage processing and business air travel by employees. Insignificant emission amounts are neglected in calculations.

ENVIRONMENT (CONTINUED)

Total Greenhouse Gas Emissions (Continued)

As for hazardous wastes, all properties comply with Waste Disposal Ordinance and related Regulations to classify hazardous waste, establish designated storage areas and appoint responsible property staff to manage. Locally licenced recycling contractors are engaged to handle hazardous waste delivery, processing and disposals. A designated paper recycling company has been hired for paper recycling processing. For waste reduction initiatives, the Group minimises the use of plastic products and recycles used materials in company activities. We have been continuously introducing recycling bins to all of our properties and encouraging our tenants and employees to use the facilities for waste separation. We hope these measures can help ease the pressure on landfill space and bring benefits to the environment.

Total Waste Produced

Waste	Hazardous waste		Non-hazardous waste	
	2016/17	**2017/18**	2016/17	**2017/18**
Tonnes	0	**0**	0	**0**
Intensity (tonnes per working day)	0	**0**	0	**0**

Note: hazardous waste is defined as chemical waste (Cap. 354C. of the Laws of Hong Kong), clinical waste (Cap. 354, Cap. 354O of the Laws of Hong Kong, and various pieces of additional legislation) and hazardous chemicals (Cap. 595 of the Laws of Hong Kong)

As at 30 September 2018, the Group have not violated any local rules and regulations relating to air (Cap. 311 Air Pollution Control Ordinance), greenhouse gas emissions, water and land discharges (Cap. 358 Water Pollution Control Ordinance), and generation of hazardous and non-hazardous waste (Cap. 354 Waste Control Ordinance).

Effective Use of Resources

The Group's resources usage management strategy focuses on green documentation by using computer filing to replace printed formal copies filing. This year, we introduce petty cash electronic system to reduce paper consumption. For material saving, we promote reduction at source and sustainable use of resources in order to reduce purchasing. Head office and properties are encouraged to minimize the use of plastic products in company activities.

In energy strategy, the Group is committed to continual improvement in energy performance; complies with all applicable legal and other requirements; supports the purchase of energy-efficient products such as LED lighting in offices, and installs timers to ensure certain equipment is off when out of use and off-duty. This year, a new centralised security CCTV system is installed to further improve our energy efficiency. Total energy intensity has reduced 33.3% compared to 2016/17.

ENVIRONMENT (CONTINUED)

Total Energy Consumption

Electricity (kWh in '000s)		Renewable Energy (kWh in '000s)		Total (kWh in '000s)		Intensity (kWh in '000s per working day)	
2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
29.06	**19.68**	0	**0**	29.06	**19.68**	0.117	**0.078**

In accordance with suggestions by the Water Supplies Department, we take various water saving measures to ensure water is utilised efficiently. These measures include installation of flow controllers in water taps, dual flush toilet cisterns, and replacement of Eco urinals with automatic sensors. As a result, we have maximised our water utilisation efficiency and reduced 28.8% of water intensity compared to 2016/17.

Total Water Consumption

Total (litre)		Intensity (litre per working day)	
2016/17	**2017/18 (Oct-Jun)**	2016/17	**2017/18 (Oct-Jun)**
83,000	**44,838**	333.3	**237.2**

Note: Water consumption for period of July to September 2018 is unavailable due to pending information from Water Supplies Department. The information is expected to be available in next reporting.

The Environment and Natural Resources

The Group's business operations seek to align and work towards environmental best practices. We have identified environmental aspects such as paper consumption, waste production, use of electricity as significant environmental aspects in our business. We quantify impact levels of these significant aspects to the environment and natural resources and take measures to mitigate the negative impact. For example, Leasing Department has thus provided green services to our tenants by implementation of auto transfer and electronic payments to reduce paper consumption. For waste management, the amount of waste disposal has been well monitored by designated staff at each property to minimise the impact to the environment. In addition, the Group's Energy Saving Practice shows the commitment of the Group in performing in an energy responsible manner and supporting the purchase of energy services, energy efficient products and equipment that will help to reduce electricity use.

PEOPLE

Respect for Labour Rights

The Group upholds the policy that "employees are valuable assets and human rights should be respected" and has planned a comprehensive management approach of recruitment, employment, promotion and retention of employees.

Maintaining a harmonious workplace where employees are free from any form of discrimination is the Group's commitment throughout all of our operations. We respect diversity and fairness in recruitment and promotion of our employees, regardless of race, social class, age, nationality, religion, disability, gender or sexual orientation. We would only refer to staff performance, experience and personal ability.

The Group strives to maintain a positive work-life balance to employees that provides reasonable working hours and rest periods. We organise regular entertainment activities to reduce the stress on employees. In addition, we offer medical insurance to our staff.

All work must not involve forced labour. All employees may resign upon reasonable notice. The Group prohibits child labour, forced labour and illegal workers in any workplace and has comprehensive steps to review the employment practices and eliminate undesired practices if discovered.

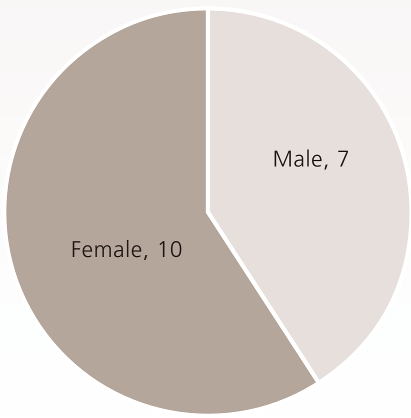
All of our Human Resources policies are structured to comply with legislation within the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) in Hong Kong.

PEOPLE (CONTINUED)

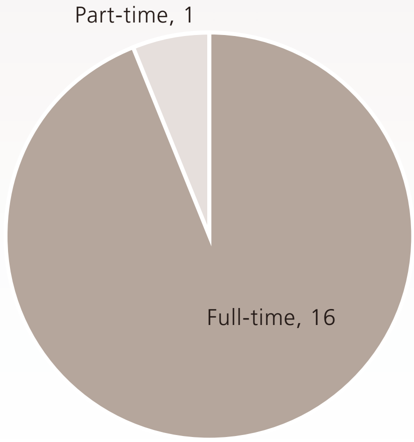
Respect for Labour Rights (Continued)

Total Work Force at Hong Kong Head Office as at 30 September 2018

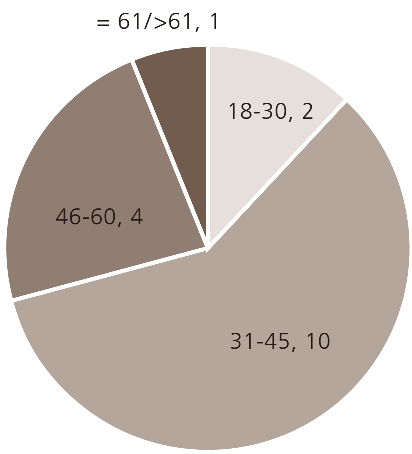
Gender



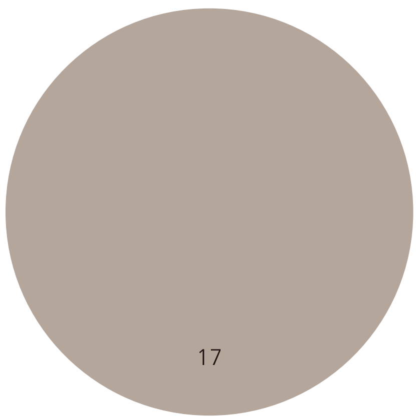
Employment type



Age group



Total workforce (Hong Kong)



PEOPLE (CONTINUED)

Employee Turnover Rate

	Percentage (%)
Gender	
Male	15.4
Female	0
Age Group	
18 – 30	0
31 – 45	10.5
46 – 60	0
= 61/>61	0
Geographical Region	
Hong Kong	6.1

Safety and Health

The Group is committed to maintaining safety and health at a high standard and complying with all occupational safety and health legislation, client requirements and internal safety requirements. The Group requires that all levels of management and supervision must be responsible for active participation in and adopt all feasible ways to create a safe working environment and protect employees from occupational hazards.

Employees receive safety and health training on occupational hazards to ensure that all parties, both inside and outside the Group, comply with the standards established. Our employees have joined Occupational Health and Safety seminars conducted by the Labour Department; topics included:

1. Prevention of Musculoskeletal Disorder of Office workers

2. Occupational stress

3. First Aid Care in the workplace

Our workplace has been provided with first aid boxes for emergency preparedness. To enhance health of our employees, we have set up outdoor recreational area and green zone at podium of Head Office for relaxing from work. We also set up mobile social group communication channel to let our employees to communicate occupational safety and health information. As a result, we have achieved excellent result in occupational safety and health aspect.

PEOPLE (CONTINUED)

Work Injury Statistics

	Result
Work-related fatalities	
Number	0
Rate (%)	0
Work injury	
Lost man-days	0

As at 30 September 2018, we comply with all Hong Kong legislations in occupational safety and health such as CAP 509 Occupational Safety and Health Ordinance and related Regulations. There was no legal conviction or prosecution record in occupational safety and health.

Education, Training and Career Development

Training and competence of staff are keys to the continuous growth of the business of the Group. Through comprehensive staff development, and Company's Further Studies Fund, we broaden the professional knowledge, skills and qualifications to our employees, with the aim to create a solid foundation for the Group's sustainable development.

We are committed to providing adequate opportunities and subsidies to our employees to acquire job-related training and development, mainly through on-the-job training, seminars, workshops, site visits and formal training programmes.

Full-time Employees Trained

	Percentage (%)
Gender	
Male	14.3
Female	10.0
Employee category	
Senior management	25.0
Middle management	0
Junior levels	14.3

OPERATING PRACTICES

Quality and Compliance Management

The Group aims to reliably ensure that we deliver to our tenants and customers properties and services conforming with the following commitments:

- The saleable area provided in the vacancy listing is official information obtained from Rating & Valuation Department.

- Before the prospective tenants, whether they are introduced by estate agents or direct one, enter into any lease agreement/offer with us, they would be shown the properties so as to have actual understanding of the facilities and existing interior condition to avoid any dispute in the future.

- Only licensed estate agent shall be appointed.

- When the property is handed over, a list of contacts will be provided to the tenant. For any enquiry about tenancy matters or repair requests, the leasing managers will be the key contact point, and will then gather the necessary information from the respective departments and give a reply to the tenant. Means of communication include email and phone.

- The handover quality and provisions will be based on the Company's pre-set standards.

- Our Property Management and Technical Departments maintain a high standard of service to ensure the health and safety of our tenants and customers.

All of our properties have implemented four key steps in quality and compliance control flow:

- During the lease negotiation stage, and before the lease offer is sent out, the Leasing and Technical Departments have mutual understanding on the condition of the flat, work agenda to be agreed and the expected handover condition.

- The Technical Department works out the scope of work based on the offered terms and the existing condition of the flat.

- The contractor is required to provide photographic evidence for hidden items. During the course of work, we will send representatives to check the status of work from time to time.

- After work completion and before handover, the Leasing and Technical Departments jointly check on the flat's condition to ensure all the agreed work items have been completed to the company's satisfaction.

OPERATING PRACTICES (CONTINUED)

Quality and Compliance Management (Continued)

We highly value feedback or complaints from our stakeholders to continuously improve our business. The Company adopted a tool to manage complaint, namely "Upkeep". This is an instance tool that could be assessed by all the operational staff. Each of the complaint can be handled timely. In addition, a comprehensive complaint handling procedure has been established to resolve complaints in a timely and effective manner.

Complaints normally relate to repair and maintenance. Upon receipt of a tenant's complaint, the following procedures will be carried out:

- Conduct inspection by our in-house technicians to assess the problem and determine whether the work can be fixed in-house or need to be outsourced.
- For urgent cases, representatives from the Technical Department will visit the site on the day or the day following the complaint to decide upon the scale and scope of rectification works.
- Temporary measures to prevent the situation from deteriorating will be carried out, if possible.
- To obtain a quotation for management approval and to have works carried out at a date/time mutually agreed between the landlord and the tenant.

	Result
Total works completed subjected to recalls for safety and health reasons	0%
Number of works and service related complaints received at corporate level	0

For customer privacy protection, individual record sheets are provided for visitors to fill in their particulars. The data will only be used for record purposes and prevention of crime. The data collected will be destroyed regularly to ensure data protection. The Property Manager is responsible for monitoring the implementation of such measure. Besides, all our softwares are acquired from the official vendors.

As at 30 September 2018, the Group was in compliance with all local rules and regulations relating to health and safety, advertising, labelling and privacy matters, such as CAP 486 Personal Data (Privacy) Ordinance, relating to works and services provided and methods of redress.

OPERATING PRACTICES (CONTINUED)

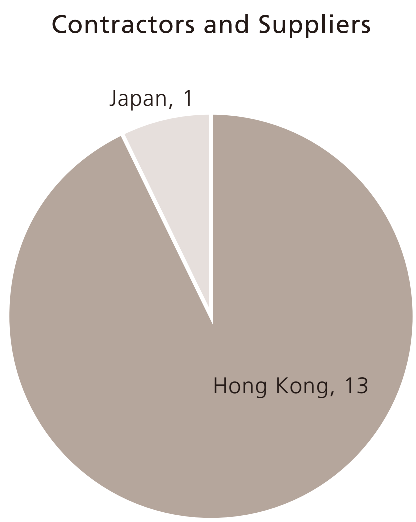
Supply Chain Management

Contractors and suppliers are our important business partners; therefore, active engagement with them is important to the effectiveness of every operation and managing environmental and social risks of the supply chain.

For any given project, we select contractors and suppliers based on a number of environmental and social risk factors, including a performance review in waste reduction and material usage each time when job is completed by suppliers. We also inform our contractors and suppliers about all rules during work. For example, noisy work is not allowed on public holidays. For protection of the environment and customer health and safety, we prohibit the use of hazardous materials and request contractors and suppliers to adopt the materials that fulfil international environmental standards and follow waste handling guidelines. We also instruct our contractors and suppliers to provide information related to environmental protection, together with quotations and contracts.

Besides giving work suggestions and methods to contractors during project execution, we engage contractors and suppliers through various channels such as face-to-face meetings, site visits, phone conferences, e-mail, etc. We would refer to job reference of contractors and suppliers for evaluation. We believe we maintain good relationships with our contractors and suppliers that such long-standing relationships enable us to have a comprehensive assessment of the contractors over the years, ensuring the quality of works in the long run.

Number of Contractors and Suppliers as at 30 September 2018



OPERATING PRACTICES (CONTINUED)

Moral Integrity and Anti-corruption

The Group adopted the code provisions set out in the Corporate Governance Code under Appendix 14 of the Listing Rules. Board of Directors members are responsible for corporate governance. The Board has delegated certain responsibilities to committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

We have ethical commitments and advise our employees not to solicit or accept any advantage or bribes from our contractors or suppliers. We also require our employees to declare any conflict of interest and to avoid creating any possible conflict of interest whilst handling matters with our residents, commercial tenants or contractors or any other persons with whom the Company may have dealings. We also have our code of business conduct binding on all employees to avoid any impropriety. All employees must comply with the CAP 201 Prevention of Bribery Ordinance of Hong Kong when conducting all business and affairs of the Group.

For whistle-blowing procedures apply to all parties including internal as well as external informers. Any complaints or possible breach of this Code can be made either verbally or by confidentially writing to the Audit Committee; all issues will be treated promptly and fairly. In cases of suspected corruption or other criminal offences, a report may be made to the appropriate authority.

As at 30 September 2018, the Group was in compliance with all local rules and regulations relating to bribery, extortion, fraud and money laundering including CAP 201 Prevention of Bribery Ordinance. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

COMMUNITY

Community Participation

As a good corporate citizen, the Group gives support to various community activities to bring positive environmental and social impacts to our tenants. We identify community events organised by different parties to provide support by various means. For example, the Group has joined the green recycling campaigns launched by the government to promote the importance of environmental protection to our tenants. By using various means of communication such as campaign posters, Facebook, email and notice boards, we trust that our community activities promotions can effectively reach our tenants.

Focus Areas

To develop an awareness of protection and preservation regarding the environment amongst tenants, the Group has joined the "Skip lunch" campaign" supported by the Community Chest and Art jamming event collaboration with an art centre for free for tenants to join. In addition, for health promotion, we have supported the charity event "Let it beat" organised by World Heart Federation by both donation and charity walk. We have contributed in fund raising to support the Hong Kong College of Cardiology.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of Pokfulam Development Company Limited (the "Company") is pleased to present this Corporate Governance Report for the year ended 30 September 2018 (the "Year").

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance practices to be essential to the promotion of the value of the Company's shareholders (the "Shareholders") value and investors' 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, except for Code Provisions A.2.1 and A.4.1, 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.

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 at all times.

The day-to-day management, administration and operations of the Company are delegated to the managing director (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 (the "EDs") and three independent non-executive Directors (the "INEDs"). The number of INEDs represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

The Board comprises the following Directors:

EDs

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

INEDs

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

THE BOARD (CONTINUED)

Board Composition (Continued)

A list of the 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 8 and 9 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 INEDs in the Board by appointing at least three INEDs 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 INED of his/her independence pursuant to the requirements of the Listing Rules. The Board, after the assessment of the Nomination Committee, considers that all INEDs 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 INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. INEDs have been appointed to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board.

Appointment, Re-election and Succession Planning of Directors

The procedures for the Shareholders to propose a person for election as a Director are available and accessible on the Company's website at https://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.

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. Each of Mdm. Lam, Mr. Li and Mr. Sit has served the Company as an INED for more than nine years and does not have any executive or management role in the Company nor has he/she 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.

The INEDs are not appointed for a specific term as stipulated in Code Provision A.4.1, but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association.

In accordance with the Articles of Association, Mr. Samuel Wong and Mr. Li 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. Li 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 26 November 2018 contains detailed information of the retiring Directors standing for re-election.

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 (the "CPD") to develop and refresh their knowledge and skills.

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

Name of Directors	Type of trainings
EDs	
Mr. Abraham Wong	A and B
Mr. David Wong	A and B
Mr. Samuel Wong	A and B
INEDs	
Mdm. Lam	B
Mr. Li	A and B
Mr. Sit	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.

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. Abraham Wong holds both the positions of the Chairman and the Managing Director, 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 INEDs, and corporate governance structure of the Group 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 https://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 (chairman), Mr. Abraham Wong and Mr. Li. The majority of the members of the Remuneration Committee are INEDs.

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

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 EDs, INEDs 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 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 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 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 member companies within the Group.

- To review and recommend the compensation arrangements for all Directors and 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 senior management for the Year.

Audit Committee

The Audit Committee comprises three members, namely Mr. Li (chairman), Mr. Sit and Mdm. Lam. All the members of the Audit Committee are INEDs 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.

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 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 three 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's 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 management and makes recommendations to the Board in respect of any actions, as appropriate.

The Audit Committee regularly reviews the relationship with the external auditors and recommends to the Board on the appointment, re-appointment and removal of external auditors. During the Year, since Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the preceding external auditor, could not reach a consensus on the audit fee for the Year, the Audit Committee recommended the Board to accept the resignation of Deloitte and appoint BDO Limited ("BDO") as the new external auditor of the Company with effect from 28 March 2018 to fill the casual vacancy following the resignation of Deloitte.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

Draft minutes of the Audit Committee meetings are circulated to the members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

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 INEDs.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman 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. Abraham Wong (chairman), and two INEDs, namely Mr. Li and Mr. Sit. The majority of the members of the Nomination Committee are INEDs.

The Nomination Committee met once during the Year and reviewed the diversity, structure, size and composition of the Board and the independence of the INEDs, considered the qualifications, experience and performance of the retiring Directors and recommended to the Board their re-election at the AGM for 2017 (the "2017 AGM").

BOARD COMMITTEES (CONTINUED)

Number of Meetings and Directors' Attendance

Code Provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. 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 respective meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and the 2017 AGM are set out below:

	Attendance/Number of Meetings				
Name of Directors	Regular Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Nomination Committee Meeting	2017 AGM *Note*
EDs					
Mr. Abraham Wong *(Chairman, Managing Director, chairman of Nomination Committee and member of Remuneration Committee)*	3/4	1/1	N/A	1/1	1/1
Mr. David Wong	4/4	N/A	N/A	N/A	0/1
Mr. Samuel Wong	4/4	N/A	N/A	N/A	1/1
INEDs					
Mdm. Lam *(member of Audit Committee)*	4/4	N/A	1/2	N/A	1/1
Mr. Li *(chairman of Audit Committee and members of Remuneration Committee and Nomination Committee)*	4/4	1/1	2/2	1/1	0/1
Mr. Sit *(chairman of Remuneration Committee and members of Audit Committee and Nomination Committee)*	4/4	1/1	2/2	1/1	1/1

Note:

Besides the 2017 AGM held on 29 December 2017, no other general meeting was held during the Year.

BOARD COMMITTEES (CONTINUED)

Number of Meetings and Directors' Attendance (Continued)

Apart from the above-mentioned Board meetings, the Chairman held a meeting with all the INEDs without the presence of other EDs 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 each 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 senior management whenever necessary.

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.

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.

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.

In response to a specific enquiry made by the Company on each of them, all the Directors have 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 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 Group for the Year (the "Consolidated Financial Statements") is set out in the "Independent Auditor's Report" on pages 54 to 58 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 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:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	1
1,000,001 to 2,000,000	1

INDEPENDENT AUDITOR'S REMUNERATION

Particulars of the remuneration paid/payable to BDO, the Company's external auditor, in respect of the Year are set out below:

Category of Services	Fee paid/payable
	HK$'000
Audit services	550
Non-audit services	
– Interim review	100
– Tax compliance	40
	690

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.

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 the Company 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.

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 as soon as reasonably possible 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 EDs, 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 the 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 the Shareholders and in particular, through AGMs and other general meetings. The Chairman, all other EDs, INEDs, and the chairmen of all Board committees (or their delegates) will make themselves available at the AGMs to meet the 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 2017 AGM was held on 29 December 2017. The notice of 2017 AGM was sent to the Shareholders at least 20 clear business days before the 2017 AGM.

The Chairman as well as the chairmen of the Remuneration Committee, the Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees, and the Company's independent auditor attended the 2017 AGM to answer the Shareholders' questions.

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

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

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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 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 CPD 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 for inclusion in its annual 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 CPD 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 on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman. 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 (the "Directors") of Pokfulam Development Company Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 September 2018 (the "Year" and the "Consolidated Financial Statements", respectively).

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 entities 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 59 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 HK34 cents per share, amounting to HK$37,461,000, to the Shareholders whose names will appear on the register of members of the Company (the "Register of Members") on Monday, 7 January 2019.

BUSINESS REVIEW

The Group is principally engaged in the businesses of property investment, focusing in Hong Kong. The strategy of the Group is twofold: to generate recurring rental income sufficient to cover its operating overheads, including administration expenses, finance costs and dividends, and achieving capital appreciation. 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 the Group lies in the adverse changes in the market value of its 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 capital and financial risk by the Group, please refer to notes 31 and 32 to the Consolidated Financial Statements, respectively.

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.

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 in the Chairman's Statement, the Environmental, Social and Governance Report, the Corporate Governance Report and the Directors' Report of this annual report.

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.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

The Group complies with applicable rules and regulations promulgated by Lands Department, Buildings Department and the Planning Department governing property development and property investment in Hong Kong and holds relevant required licences for the provision of services.

The Group establishes and protects its intellectual property rights and has registered its domain name. The Group takes all appropriate actions to enforce its intellectual property rights.

It is the policy of the Group to strictly prohibit bribery and corrupt practices to ensure that the conduct of the Group companies and employees are in compliance with laws, rules and regulations. All staff are required to adhere strictly to the provisions of the Prevention of Bribery Ordinance, Cap. 201 of the laws of Hong Kong and may not solicit or accept for his personal benefit any advantage which includes benefits in money or in any kind from any business partners. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

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

ENVIRONMENTAL PROTECTION

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.

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 property development and investment 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 certain parts of its business to improve the performance and efficiency of the Group. While gaining the benefits from external service providers, management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or cessation 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.

Risks Pertaining to the Property Market in Hong Kong

A substantial portion of the Group's investment property portfolio is located in Hong Kong, earning rental and management income. Therefore, the Group is susceptible to changes in economic conditions, consumer consumption and the tourist market in Hong Kong. Besides, the local government may introduce further regulatory measures on the property market, thus adversely affecting the local business environment.

Interest Rate Risks

The Group's bank borrowings mainly bear floating rates. The Group's finance and treasury operation is affected by the change in interest rates and market condition. To reduce our exposure due to volatility in interest rates, the Group has closely monitored the interest rate movements and refinanced existing banking facilities when favourable pricing opportunities arise.

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 its 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 2018 are set out in notes 25 and 15 to the Consolidated Financial Statements, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and financial resources

Shareholders' funds as at 30 September 2018 were HK$5,440.5 million (2017: HK$5,000.3 million).

As at 30 September 2018, the Group's total bank balances and cash amounted to HK$247.6 million (2017: HK$245.1 million), of which over 93% (2017: 93%) was denominated in Hong Kong dollars, and 6% (2017: 6%) was denominated in Renminbi. The Group's available-for-sale investments as at 30 September 2018 was HK$15.7 million (2017: HK$8.0 million). 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 2018, the Group's total borrowings, which was denominated in Hong Kong dollars, was HK$40.0 million (2017: HK$40.0 million).

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

	2018	2017
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**–**	–
After one year but within two years	**40.0**	–
After two years but within five years	**–**	40.0
	40.0	40.0

The Group's bank term loan of HK$40.0 million (that is repayable after one year but within two years after 30 September 2018 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 2018, 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.

Financial Investments

Financial investments mainly represent return earned on the Group's holdings of time deposits, equity and bond investments. Further information about the performances of financial investments can be found in note 7 to the Consolidated Financial Statements.

Gearing and Charge on Assets

As at 30 September 2018, the debt to equity ratio, based on the Group's total borrowings of HK$40.0 million and the Shareholders' funds of HK$5,440.5 million, was 0.7%, as compared with 0.8% as at 30 September 2017.

As at 30 September 2018, investment properties and properties for own use of the Group with an aggregate carrying value of HK$4,788.9 million and HK$2.4 million, respectively were pledged to banks to secure the general banking facilities granted to the Group.

Treasury Policies

The Group adheres to conservative treasury policies. As at 30 September 2018, all of the Group's borrowings were raised through its wholly-owned subsidiaries on a non-recourse basis. The Group's financial investments policy is to enhance return for treasury management purpose. The Group aims at building a well-diversified portfolio which contains highly liquid investments with good credit rating. The Group will continue to closely monitor the performances of the financial investments so as to maintain healthy capital structure and strong financial position.

Commitments

Particulars of the commitments of the Group are set out in note 27 to the Consolidated Financial Statements.

Employees and Remuneration Policies

As at 30 September 2018, the Group had 106 (2017: 101) employees. The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK$22.8 million (2017: HK$20.0 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, training programmes and long-service awards 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 61 of this annual report and in note 25 to the Consolidated Financial Statements, respectively.

As at 30 September 2018, the Company's reserves available for distribution to Shareholders represented the retained profits of HK$887.2 million (2017: HK$838.4 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 2018 are set out on pages 131 to 132 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.

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 (2017: 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 130 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 85% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 68%.

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

Independent Non-executive Directors (the "INEDs")

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. Samuel Wong and Mr. Li 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.

The Company has received from each of the INEDs 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 INEDs 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 INEDs 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 8 and 9 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. Abraham Wong
- Mr. David Wong
- Mr. Samuel Wong
- Mr. Wong Chin Yee
- Mr. Hui Sui Yuen
- Ms. Sung Kwan Yuk, Katherine
- 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.

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 2018, 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

	Number of ordinary shares held				
Name of Directors/ Chief executive	Personal interests	Family interests	Other interests	Total	Approximate percentage of interest in the issued shares of the Company
		(Note 1)	*(Note 2)*		
Abraham Wong	450,800	–	80,633,866	81,084,666	73.6%
David Wong	–	–	80,633,866	80,633,866	73.2%
Samuel Wong	556,000	28,800	80,633,866	81,218,666	73.7%
Mdm. Lam	104,420	–	–	104,420	0.1%

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

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

Notes:

(1) Mr. Samuel Wong, an executive Director (the "Executive Director"), is deemed to be interested in 28,800 ordinary shares of the Company (the "Shares"), being the interest held beneficially by his wife.

(2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Messrs. Abraham Wong, David Wong and Samuel Wong are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Executive Directors.

Save as disclosed above, as at 30 September 2018, 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.

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

As at 30 September 2018, 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 as required to be recorded in the register pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 33 to the Consolidated Financial Statements.

CONNECTED TRANSACTION

There were no 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 33 to the Consolidated Financial Statements 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 the "Related Party Transactions" as disclosed in note 33 to the Consolidated Financial Statements, 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

Each of the Directors 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.

No contracts of significance concerning management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the Year or subsisted at the end of the Year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, Mr. Li had been an independent non-executive director of Kowloon Development Company Limited ("KDCL") (a company whose issued shares are listed and traded 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. However, such businesses were managed by a separate publicly listed company with independent management and its board composition 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 listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

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, Cap. 485 of the laws of Hong Kong (the "MPF Ordinance"). The assets of the MPF Scheme are held separately from those of the Group, and in funds under the control of trustees.

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

Contributions to the MPF Scheme for the Year made by the Group amounted to HK$727,000 (2017: HK$667,000).

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

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, there was no change 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.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the Year, which required the Company to issue any securities.

CORPORATE GOVERNANCE

The Company's key corporate governance practices are set out in the Corporate Governance Report on pages 24 to 39 of this annual report.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board (the "Audit Committee") comprises all the three INEDs, namely Mr. Li (Chairman), Mdm. Lam and Mr. Sit. The Audit Committee has reviewed with management the Group's audited Consolidated Financial Statements 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 of the Board (the "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 Company'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.

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on Thursday, 27 December 2018. For determining the Shareholders' entitlement to attend and vote at the forthcoming Annual General Meeting, the Register of Members will be closed from Thursday, 20 December 2018 to Thursday, 27 December 2018 (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 Wednesday, 19 December 2018.

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 Friday, 4 January 2019 to Monday, 7 January 2019 (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 Thursday, 3 January 2019.

INDEPENDENT AUDITOR

On 28 March 2018, Messrs. Deloitte Touche Tohmatsu has resigned as the independent auditor of the Company (the "Independent Auditor") and BDO Limited ("BDO") was appointed as the new Independent Auditor to fill the casual vacancy and to hold office until the conclusion of the forthcoming Annual General Meeting.

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint BDO as the Independent Auditor.

On behalf of the Board

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 19 November 2018

BDO

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TO THE SHAREHOLDERS 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 (together the "Group") set out on pages 59 to 129, which comprise the consolidated statement of financial position as at 30 September 2018, 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 2018, 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.

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.

Valuation of investment properties

(refer to notes 3 and 4 on the significant accounting policies and disclosure for the estimation of fair value of investment properties, and note 13 to the consolidated financial statements)

Management estimated the fair value of the Group's investment properties to be approximately HK$5,087,890,000 as at 30 September 2018, with a fair value gain of approximately HK$420,936,000 recognised in the profit or loss for the year then ended. The fair value of the investment properties was arrived at on the basis of the valuation carried out by an independent qualified professional valuer. The valuations of the Group's investment properties are dependent on valuation models used by management, certain key assumptions and estimations that require significant management judgement.

Our responses

Our procedures in relation to this key audit matter included:

- Involving an auditor's expert to assist us in evaluating the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the investment properties;

- Evaluating the competence, capabilities and objectivity of the management's expert and the auditor's expert; and

- Evaluating the reliability of the sources of inputs used in the valuation.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 September 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 23 November 2017.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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 of the Company.

- 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.

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

We communicate with the Audit Committee 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 the Audit Committee 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 the directors, 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.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong, 19 November 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	135,535	141,962
Cost of goods sold		(19,100)	(17,234)
Cost of rental and other operations		(36,732)	(30,838)
		79,703	93,890
Other income and gains		26,990	25,797
Other expense and losses		(7,498)	–
Selling and marketing expenses		(1,292)	(1,588)
Administrative expenses		(13,791)	(12,493)
Finance costs	6	(1,339)	(1,706)
Profit before changes in fair value of investments held for trading and investment properties		82,773	103,900
(Decrease)/increase in fair value of investments held for trading		(8,926)	10,033
Increase in fair value of investment properties	13	420,936	323,934
		494,783	437,867
Share of losses of joint ventures		(5,833)	(1,963)
Profit before income tax	7	488,950	435,904
Income tax expense	8	(8,942)	(15,483)
Profit for the year		480,008	420,421
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		(234)	–
Exchange difference arising on translation of financial statements of foreign operations		(2,747)	1,022
Exchange (loss)/gain arising from long term advances to a joint venture		(109)	516
Other comprehensive income for the year, net of tax		(3,090)	1,538
Total comprehensive income for the year		476,918	421,959
Profit for the year attributable to:			
Owners of the Company		480,770	419,883
Non-controlling interests		(762)	538
		480,008	420,421
Total comprehensive income for the year attributable to:			
Owners of the Company		477,680	421,421
Non-controlling interests		(762)	538
		476,918	421,959
		HK$	HK$
Earnings per share - basic	10	4.36	3.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current Assets			
Investment properties	13	5,087,890	4,651,170
Property, plant and equipment	14	4,266	4,801
Interests in joint ventures	15	20,787	21,018
Amount due from a joint venture	15	130,590	132,364
Deposits and prepayments		4,992	1,944
Available-for-sale investments	16	15,691	8,000
		5,264,216	4,819,297
Current Assets			
Inventories	17	10,100	5,415
Investments held for trading	18	34,911	43,814
Loan to a joint venture	15	14,132	14,422
Trade and other receivables	19	8,795	8,192
Deposits and prepayments		8,877	11,013
Bank balances and cash	20	247,630	245,093
		324,445	327,949
Current Liabilities			
Trade and other payables	21	26,690	22,175
Amount due to a joint venture	15	–	206
Rental and management fee deposits		24,015	25,302
Provision for taxation		9,776	12,978
Bank loan	23	40,000	40,000
		100,481	100,661
Net Current Assets		223,964	227,288
Total Assets less Current Liabilities		5,488,180	5,046,585
Capital and Reserves			
Share capital	22	146,134	146,134
Reserves		5,294,340	4,854,121
Equity attributable to owners of the Company		5,440,474	5,000,255
Non-controlling interests		6,787	7,549
Total Equity		5,447,261	5,007,804
Non-current Liability			
Deferred taxation	24	40,919	38,781
		5,488,180	5,046,585

The consolidated financial statements on pages 59 to 129 were approved and authorised for issue by the Board of Directors on 19 November 2018 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 2018

	Attributable to the owners of the Company						
	Share capital	Translation reserve*	Investment revaluation reserves*	Retained profits*	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 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
Other comprehensive income for the year:							
Exchange difference arising on translation of financial statements 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 *(note 9)*	–	–	–	(27,545)	(27,545)	–	(27,545)
Interim dividend for 2017 paid *(note 9)*	–	–	–	(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
Profit for the year	–	–	–	480,770	480,770	(762)	480,008
Other comprehensive income for the year:							
Change in fair value of available-for-sale investments	–	–	(234)	–	(234)	–	(234)
Exchange difference arising on translation of financial statements of foreign operations	–	(2,747)	–	–	(2,747)	–	(2,747)
Exchange loss arising from long term advances to a joint venture	–	(109)	–	–	(109)	–	(109)
Total comprehensive income for the year	–	(2,856)	(234)	480,770	477,680	(762)	476,918
Final dividend for 2017 paid *(note 9)*	–	–	–	(33,054)	(33,054)	–	(33,054)
Interim dividend for 2018 paid *(note 9)*	–	–	–	(4,407)	(4,407)	–	(4,407)
At 30 September 2018	146,134	5,508	(234)	5,289,066	5,440,474	6,787	5,447,261

* These reserve accounts comprise the consolidated reserves of approximately HK$5,294,340,000 in the consolidated statement of financial position as at 30 September 2018 (2017: HK$4,854,121,000)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTES	2018 *HK$'000*	2017 *HK$'000*
Operating activities			
Profit before income tax		488,950	435,904
Adjustments for:			
Increase in fair value of investment properties	*13*	(420,936)	(323,934)
Decrease/(increase) in fair value of investments held for trading		8,926	(10,033)
Loss on disposal of property, plant and equipment	*7*	8	5
Depreciation on property, plant and equipment	*7*	862	790
Dividend income from an investee company classified as an available-for-sale investment	*7*	(13,333)	(13,333)
Imputed interest income on amount due from a joint venture	*7*	(6,618)	(5,312)
Interest income		(4,626)	(3,613)
Dividend income from investments held for trading		(2,401)	(2,089)
Finance costs		1,339	1,706
Share of losses of joint ventures		5,833	1,963
Operating cash flows before working capital changes		58,004	82,054
(Increase)/decrease in inventories		(4,685)	2,674
(Increase)/decrease in investments held for trading		(23)	9,200
Increase in trade and other receivables, deposits and prepayments		(686)	(6,370)
Increase in trade and other payables, rental and management fee deposits		4,639	4,649
Cash generated from operations		57,249	92,207
Interest received		2,697	1,517
Dividend received		2,401	2,089
Income Tax paid		(10,006)	(7,808)
Net cash from operating activities		52,341	88,005

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Investing activities		
Purchase of property, plant and equipment	(344)	(685)
Proceeds on disposal of property, plant and equipment	9	–
Addition of investment properties	(18,024)	(2,560)
Investment in a listed debt securities investment classified as an available-for-sale investment	(7,868)	–
Dividend received from an investee company classified as an available-for-sale investment	13,333	13,333
Investment in a joint venture	(1,500)	(500)
Repayment from joint ventures	3,656	12,739
Net cash (used in)/from investing activities	(10,738)	22,327
Financing activities		
Bank loan raised	–	40,000
Repayment of bank loan	–	(70,000)
Dividends paid	(37,461)	(31,952)
Interest paid	(1,339)	(1,706)
Dividend paid to non-controlling shareholders	–	(1,681)
Net cash used in financing activities	(38,800)	(65,339)
Net increase in cash and cash equivalents	2,803	44,993
Cash and cash equivalents at the beginning of the financial year	245,093	199,873
Effect of foreign exchange rate changes	(266)	227
Cash and cash equivalents at the end of the financial year	247,630	245,093
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	247,630	245,093

1. GENERAL

Pokfulam Development Company Limited (the "Company") is a public limited liability company incorporated in Hong Kong and its issued Shares are listed and traded 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 Company are property investment and investment holding. 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs for the current year

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 October 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities. The adoption of the amendments has led to additional disclosure presented in note 26 to the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 "Investments in Associates and Joint Ventures"[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 "Business Combinations", HKFRS 11 "Joint Arrangements", HKAS 12 "Income Taxes" and HKAS 23 "Borrowing Costs"[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

(i) Classification and measurement

The directors of the Company made an assessment on the financial impact of the Group's financial statements resulting from the adoption of HKFRS 9. The directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities except for an investment currently held as available-for-sale investments.

Certain financial assets of the Group that are currently classified as available-for-sale debt and equity securities will be classified and measured as FVTOCI under the new standard. Under the prevailing accounting policies, changes in fair value of available-for-sale financial assets are recognised in other comprehensive income, and upon disposal, the accumulated fair value adjustments are included in the consolidated income statement. Upon adoption of HKFRS 9, for investments that are measured as FVTPL, changes in fair value are included in the consolidated income statement; while for investments that are measured at FVTOCI, changes in fair value are included in consolidated statement of comprehensive income and accumulated fair value adjustments will not be transferred to the consolidated income statement upon disposal. As a result, depending on the classification of and timing of disposal of the investments, there may be impact on the profit or loss of the Group.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances.

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 October 2018 would have no significant change as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loan and other receivables. No further impairment recognised under expected credit loss model would adjust the opening retained profits as at 1 October 2018.

HKFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Group has performed a preliminary assessment of potential impact of the adoption of HKFRS 15 on the Group. Based on the preliminary assessment, the directors of the Company anticipate that the adoption of HKFRS 15 is not likely to have significant impact on the amounts reported but may result in more disclosures made to the financial statements related to revenue.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset of non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expenses or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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 all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

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

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.

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.

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.

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.

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
Buildings	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%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

Impairment of tangible assets

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

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

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

Inventories

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

Foreign currencies

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

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).

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes.

Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amount on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amount at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodies in the property overtime, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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 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.

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.

Debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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.

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.

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.

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.

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.

Rental income under operating leases is recognised 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.

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.

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 and recognised as an expense on the straight-line basis over the lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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 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.

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.

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

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of the assets and liabilities within next financial period are as follows:

(a) 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.

(b) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at and/or disclosure of fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

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

(b) Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 13);
- Available-for-sale investments (note 16); and
- Investments held for trading (note 18).

(c) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 September 2018 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 2018 is approximately HK$5,087,890,000 (2017: HK$4,651,170,000).

(d) Impairment on trade receivables

The Group's management assesses the collectibility of trade receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amount of trade receivables is disclosed in note 19.

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

(e) Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 3 above. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

(f) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences, of course, will impact upon the income tax and deferred tax provision in the period in which such determination is made.

(g) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(h) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that there is impairment in loans and receivables and bank balances and cash, the Group assesses the degree of risk and collectability of each item, as explained in note 3 "Impairment of financial assets". The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Financial assets measured at amortised cost include trade and other receivables, bank balances and cash, amount due from a joint venture and loan to a joint venture.

The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

5. REVENUE AND SEGMENT INFORMATION

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

	2018	2017
	HK$'000	*HK$'000*
Property rentals and building management fees	104,840	111,332
Sale of goods	28,294	28,541
Dividend income from investments held for trading	2,401	2,089
	135,535	141,962

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

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

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 2018

	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	104,840	28,294	2,401	135,535	–	135,535
Inter-segment	1,820	890	–	2,710	(2,710)	–
	106,660	29,184	2,401	138,245	(2,710)	135,535
Segment profit/(loss) *(note i)*	491,828	580	(6,533)	485,875	–	485,875
Other income and gains						25,441
Other losses *(note ii)*						(2,398)
Central administrative costs						(12,796)
Finance costs						(1,339)
Share of losses of joint ventures						(5,833)
Profit before income tax						488,950

Notes:

i. Segment profit of property investment and management division included an increase in fair value of investment properties of approximately HK$420,936,000.

ii. Other losses represented the foreign exchange loss.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 income tax						435,904

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

Inter-segment revenue is charged at mutually agreed terms.

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information

Amounts included in the measure of segment profit/(loss):

Year ended 30 September 2018

	Property investment and management	Trading of goods	Securities investment
	HK$'000	*HK$'000*	*HK$'000*
Depreciation on property, plant and equipment	422	42	–
Loss on disposal of property, plant and equipment	8	–	–
Decrease in fair value of investments held for trading	–	–	8,926

Year ended 30 September 2017

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

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.

6. FINANCE COSTS

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

7. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	604	948
Loss on disposal of property, plant and equipment	8	5
Provision for repair and maintenance	5,100	–
Depreciation on property, plant and equipment	862	790
Staff costs (including directors' emoluments)	22,837	19,925
Imputed interest income on amount due from a joint venture	(6,618)	(5,312)
Interest income from loan to a joint venture	(1,872)	(2,096)
Interest income from an available-for-sale investment	(57)	–
Bank interest income	(2,698)	(1,517)
Foreign exchange loss/(gain), net	2,398	(1,049)
Dividend income from an investee company classified as an available-for-sale investments	(13,333)	(13,333)
Gross rental income	(95,549)	(102,754)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	15,502	10,235
	(80,047)	(92,519)

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
– Hong Kong profits tax	6,111	10,212
– PRC Enterprise Income Tax	732	393
Overprovision for Hong Kong profits tax in prior years	(39)	(205)
	6,804	10,400
Deferred tax charge *(note 24)*	2,138	5,083
	8,942	15,483

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax. The applicable PRC enterprise income tax rate for the PRC subsidiaries is 25% (2017: 25%) for the years ended 30 September 2018 and 2017.

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

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	488,950	435,904
Tax calculated at the rates applicable to profits or losses in the tax jurisdiction concerned	80,968	71,924
Tax effect of non-deductible expenses	1,153	2,824
Tax effect of non-taxable income	(74,369)	(59,134)
Overprovision in prior year	(39)	(205)
Effect of share of losses of joint ventures	963	324
Tax effect of tax losses not recognised	25	5
Others	241	(255)
Income tax expense	8,942	15,483

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2017 of HK30 cents per ordinary share (2017: for the year ended 30 September 2016 of HK25 cents per ordinary share)	33,054	27,545
Interim dividend for the year ended 30 September 2018 of HK4 cents per ordinary share (2017: for the year ended 30 September 2017 of HK4 cents per ordinary share)	4,407	4,407
	37,461	31,952
Dividend proposed:		
Final dividend for the year ended 30 September 2018 of HK34 cents per ordinary share (2017: for the year ended 30 September 2017 of HK30 cents per ordinary share)	37,461	33,054

The final dividend of HK34 cents (2017: HK30 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 approximately HK$480,770,000 (2017: HK$419,883,000) and on 110,179,385 (2017: 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.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the six (2017: 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 2018				
Executive Directors:				
Wong Tat Chang, Abraham	**110**	**2,128**	**–**	**2,238**
Wong Tat Kee, David	**100**	**–**	**–**	**100**
Wong Tat Sum, Samuel	**100**	**–**	**–**	**100**
Independent non-executive Directors:				
Lam Hsieh Lee Chin, Linda	**100**	**35**	**–**	**135**
Li Kwok Sing, Aubrey	**100**	**120**	**–**	**220**
Sit Hoi Wah, Kenneth	**100**	**95**	**–**	**195**
	610	**2,378**	**–**	**2,988**
Year ended 30 September 2017				
Executive Directors:				
Wong Tat Chang, Abraham	100	2,031	–	2,131
Wong Tat Kee, David	80	–	–	80
Wong Tat Sum, Samuel	80	–	–	80
Independent non-executive Directors:				
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

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

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 Chairman and Managing Director waived or agreed to waive any remuneration during the year.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group during the year ended 30 September 2018, one (2017: one) was a director of the Company whose emoluments have been included in note 11 above. The emoluments of the remaining four (2017: four) individuals were as follows:

	2018	2017
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	3,648	2,985
Performance related bonus	638	400
Contributions to retirement benefit scheme	79	88
	4,365	3,473

Their emoluments were within the following bands:

	2018	2017
	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 2016	4,327,154
Addition during the year	82
Increase in fair value recognised in the profit or loss	323,934
At 30 September 2017	4,651,170
Addition during the year	15,784
Increase in fair value recognised in the profit or loss	420,936
At 30 September 2018	5,087,890

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:

	2018	2017
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**261,043**	226,000
Commercial	**152,273**	81,638
Industrial	**10,050**	10,450
Properties located in the PRC:		
Residential	**(2,430)**	5,846
	420,936	323,934

(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 2018 and 2017 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.

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 2018

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$1,000,000 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 inputs 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 1.9% 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.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2018 (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$11.9 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 inputs 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 RMB88 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.

13. INVESTMENT PROPERTIES (CONTINUED)

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

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 inputs 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.

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 inputs 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.

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.

(d) The fair value of investment properties is a level 3 recurring fair value measurement

A reconciliation of the opening and closing fair value balance is provided below.

	2018
	HK$'000
Opening balance (level 3 recurring fair value)	4,651,170
Addition during the year	15,784
Increase in fair value of investment properties	420,936
Closing balance (level 3 recurring fair value)	5,087,890

(e) The Group's certain investment properties are pledged to secure the general banking facilities granted to the Group as at 30 September 2018 (note 28).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong under long lease	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 October 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
Additions	–	–	344	–	344
Disposals	–	–	(263)	–	(263)
At 30 September 2018	1,172	5,269	26,755	3,212	36,408
ACCUMULATED DEPRECIATION					
At 1 October 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
Provided for the year	8	105	464	285	862
Eliminated on disposals	–	–	(246)	–	(246)
At 30 September 2018	322	3,694	25,882	2,244	32,142
CARRYING VALUES					
At 30 September 2018	850	1,575	873	968	4,266
At 30 September 2017	858	1,680	1,010	1,253	4,801

The Group's leasehold land and buildings are pledged to secure the general banking facilities granted to the Group as at 30 September 2018 (note 28).

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

	2018	2017
	HK$'000	*HK$'000*
Cost of unlisted investments *(note i)*	**2,003**	503
Fair value adjustments on non-current interest-free amount due from a joint venture	**57,666**	50,974
Dividend declared	**(62,200)**	(62,200)
Share of post-acquisition profits	**17,315**	23,148
Cumulative exchange gain arising from long term advances	**4,571**	4,680
Exchange realignment	**1,432**	3,913
	20,787	21,018
Amount due from a joint venture – non-current *(note ii)*	**130,590**	132,364
Loan to a joint venture – current *(note iii)*	**14,132**	14,422
Amount due to a joint venture – current	**–**	(206)

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

Notes:

i. As at 30 September 2018, the cost of investments comprised of two investments in joint ventures of HK$3,000 and HK$2,000,000 respectively (2017: HK$3,000 and HK$500,000 respectively).

The investment in a joint venture of HK$3,000 (2017: HK$3,000) represents a $33^1/_3$% interest in the issued Share 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$2,000,000 (2017: HK$500,000) represents a 50% interest in the issued Share 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. During the year, the Group has made additional investment of HK$1,500,000 to Elevant – Garde.

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$6,692,000 (2017: HK$6,618,000) 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 2018 was 5.125% (2017: 5.00%) per annum.

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK$57,000,000 (2017: HK$58,700,000) receivable by the Group has not yet been settled as at 30 September 2018 and was included in the balance of amount due from a joint venture at 30 September 2018. The remaining balance of amount due from a joint venture relate to long term advances made by the Group to the joint venture which are denominated in HK$, 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 2018, loan to a joint venture of HK$9,120,000 (2017: HK$9,392,000) 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$5,012,000 (2017: HK$5,030,000) is expected to be repaid within twelve months together with the loan.

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue	30,655	32,943
Expenses	(47,206)	(38,484)
Loss for the year	(16,551)	(5,541)

	2018	2017
	HK$'000	*HK$'000*
Financial position		
Non-current assets	1,709	1,896
Current assets	532,753	589,350
Current liabilities	(84,833)	(119,913)
Non-current liabilities	(391,966)	(409,428)
Net assets	57,663	61,905

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:

	2018	2017
	HK$'000	*HK$'000*
Net assets	57,663	61,905
Proportion of the Group's ownership interest in Silver Gain	$33\frac{1}{3}$%	$33\frac{1}{3}$%
	19,221	20,635

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

	2018	2017
	HK$'000	*HK$'000*
The loss and total comprehensive income for the year	(632)	(234)

16. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity investment, at cost *(note i)*	8,000	8,000
Listed debt securities investment, at fair value *(note ii)*	7,691	–
	15,691	8,000

Notes:

i. The 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.

ii. The listed debt securities investment is with principal amount of US$1 million, which will be maturing at July 2023 with fixed interests 4.125% per annum. The investment is measured at fair value, determined by reference to bid prices quoted in an active market, as at 30 September 2018.

17. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Trading inventories	10,100	5,415

The cost of inventories recognised as an expense during the year was approximately HK$19,100,000 (2017: HK$17,234,000).

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.

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.

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	3,788	4,300
Other receivables	5,007	3,892
Total trade and other receivables	8,795	8,192

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	2,877	2,513
31 – 60 days	160	300
61 – 90 days	20	246
Over 90 days	731	1,241
	3,788	4,300

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.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis of the trade receivables which are not impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	416	446
1 – 30 days past due	2,461	2,067
31 – 60 days past due	160	300
61 – 90 days past due	20	246
Over 90 days past due	731	1,241
	3,788	4,300

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately HK$3,372,000 (2017: HK$3,854,000) 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.

20. BANK BALANCES AND CASH

Bank balances carry interest rates at prevailing rates which range from 0.01% to 4.08% (2017: 0.01% to 3.47%) per annum.

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

	2018	2017
	HK$'000	*HK$'000*
HKD	230,191	230,363
RMB	15,230	14,017
USD	2,136	23
Others	73	690
	247,630	245,093

The Group had cash and bank balances denominated in RMB of approximately RMB1,242,000 (2017: RMB1,658,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

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, and the total balances of trade and other payable comprise:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	500	759
31 – 60 days	28	1,998
61 – 90 days	5	71
Over 90 days	1,894	223
	2,427	3,051
Other payables	14,725	15,424
Renovation fee and retention payable	1,037	229
Receipt in advance	1,850	2,414
Provision for repair and maintenance	5,100	–
Deposits received for sale of goods	1,551	1,057
	26,690	22,175

22. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Issued and fully paid		
At 1 October 2016, 30 September 2017 and 30 September 2018		
– Ordinary shares with no par value	110,179,385	146,134

23. BANK LOAN

	2018	2017
	HK$'000	*HK$'000*
Secured bank loan		
Repayable based on the scheduled repayment date set out in the loan agreement:		
– Within one year	–	–
– After one year but within two years	40,000	–
– After two years, but not exceeding five years	–	40,000
	40,000	40,000

The Group's bank loan of HK$40,000,000 (2017: HK$40,000,000) 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 4.02% (2017: 2.42%) per annum.

The bank loan is secured by the Group's investment property amounted to approximately HK$666,000,000 as at 30 September 2018 (2017: HK$630,000,000).

At 30 September 2018, the Group had unutilised bank loan facilities of HK$451,000,000 (2017: HK$451,000,000).

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	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 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
Charge/(credit) to profit or loss	3,058	(33)	(1,469)	1,067	(485)	2,138
At 30 September 2018	41,963	328	5,381	(6,268)	(485)	40,919

At the end of the reporting period, the Group had unused tax losses of HK$38,801,000 (2017: HK$45,419,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$37,988,000 (2017: HK$44,454,000). No deferred tax asset has been recognised on the tax losses of HK$813,000 (2017: HK$965,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

25. FINANCIAL POSITION OF THE COMPANY

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

	2018	2017
	HK$'000	*HK$'000*
Non-current Assets		
Investment properties	4,217,920	3,815,220
Property, plant and equipment	2,367	2,813
Investments in subsidiaries	58,207	58,207
Amounts due from subsidiaries	465,432	449,018
Deposits and prepayments	4,992	1,944
Available-for-sale investments	15,691	8,000
	4,764,609	4,335,202
Current Assets		
Trade and other receivables	2,647	1,243
Deposits and prepayments	853	1,078
Bank balances and cash	241,796	236,002
	245,296	238,323
Current Liabilities		
Trade and other payables	14,542	7,740
Rental and management fee deposits	17,340	18,525
Amounts due to subsidiaries	16,420	17,967
Provision for taxation	4,524	7,708
	52,826	51,940
Net Current Assets	192,470	186,383
Total Assets less Current Liabilities	4,957,079	4,521,585
Capital and Reserve		
Share capital	146,134	146,134
Reserves	4,788,918	4,356,190
	4,935,052	4,502,324
Non-current Liability		
Deferred taxation	22,027	19,261
	4,957,079	4,521,585

Wong Tat Chang, Abraham
DIRECTOR

Wong Tat Sum, Samuel
DIRECTOR

Note: The movements in reserve are presented below.

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Investment revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 October 2016	–	4,056,467	4,056,467
Profit for the year	–	331,675	331,675
Final dividend for 2016 paid	–	(27,545)	(27,545)
Interim dividend for 2017 paid	–	(4,407)	(4,407)
At 30 September 2017	–	4,356,190	4,356,190
Change in fair value of available-for-sale investments	(234)	–	(234)
Profit for the year	–	470,423	470,423
Final dividend for 2017 paid	–	(33,054)	(33,054)
Interim dividend for 2018 paid	–	(4,407)	(4,407)
At 30 September 2018	**(234)**	**4,789,152**	**4,788,918**

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2018 and 2017, 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		
		2018	2017	2018	2017	
		%	%	%	%	
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

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		
		2018	2017	2018	2017	
		%	%	%	%	
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

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank loan
	HK$'000
At 1 October 2017	40,000
Changes from financing cash flows:	
Interest paid	(1,339)
Other changes:	
Interest expense recognised	1,339
At 30 September 2018	40,000

27. COMMITMENTS

At the end of the reporting period, the Group had the following commitment:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property renovation costs	70,145	12,298
Share of commitments of its joint venture in respect of cost of development of commercial/residential complex	135	450
Investment in a joint venture	–	1,500
	70,280	14,248
Authorised, but not contracted for:		
Property renovation costs	7,211	–

28. 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$4,788,900,000 (2017: HK$4,360,800,000) and HK$2,425,000 (2017: HK$2,538,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

29. LEASE ARRANGEMENTS

At the end of the reporting period, the Group's investment properties with an aggregate carrying amount of HK$4,019,264,000 (2017: HK$3,864,308,000) 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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**59,218**	55,058
In more than one year but not more than two years	**28,643**	17,128
In more than two years but not more than five years	**18,737**	17,251
More than five years	**2,178**	7,159
	108,776	96,596

30. 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$727,000 (2017: HK$667,000) represents contributions paid and payable to the plan by the Group at rates specified in the rules of the plan.

31. 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, translation reserve and investment revaluation reserves.

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

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018	2017
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
Trade and other receivables	**8,795**	8,192
Loan to a joint venture	**14,132**	14,422
Deposit	**2,003**	711
Amount due from a joint venture	**130,590**	132,364
Bank balances and cash	**247,630**	245,093
Available-for-sale investments	**15,691**	8,000
Investments held for trading	**34,911**	43,814
	453,752	452,596
Financial liabilities		
At amortised cost	**58,191**	58,910

b. Financial risk management objective and policies

The Group's financial instruments include available-for-sale investments, 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.

32. 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:

	2018	2017
	HK$'000	*HK$'000*
USD	9,827	–
RMB	70,802	72,386

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against USD and RMB. 5% (2017: 5%) is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding USD and RMB denominated monetary items at the end of the reporting periods for a 5% (2017: 5%) change in USD and RMB. A negative number below indicates a decrease in post-tax profit where HK$ strengthen 5% (2017: 5%) against USD and RMB. For a 5% (2017: 5%) weakening of the HK$ against USD and RMB, there would be an equal and opposite impact on the profits.

	2018	2017
	HK$'000	*HK$'000*
USD	(491)	–
RMB	(3,540)	(3,619)

32. 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 (2017: 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 2018 would decrease/increase by approximately HK$167,000 (2017: HK$167,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loan.

32. 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% (2017: 20%) higher/lower, the Group's profit for the year ended 30 September 2018 would increase/decrease by approximately HK$5,830,000 (2017: increase/decrease by approximately HK$7,317,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 30 September 2018, 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.

32. 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	Carrying amount	Total undiscounted cash flows	Within 1 year or on demand
		HK$'000	*HK$'000*	*HK$'000*
2018				
Trade and other payables	–	18,190	18,190	18,190
Rental and management fee deposits	–	24,015	24,015	24,015
Bank loan at variable rate	4.02%	40,000	40,000	40,000
		82,205	82,205	82,205

	Weighted average effective interest rate	Carrying amount	Total undiscounted cash flows	Within 1 year or on demand
		HK$'000	*HK$'000*	*HK$'000*
2017				
Trade and other payables	–	18,704	18,704	18,704
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
		84,212	84,212	84,212

32. 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 2018, the principal amount of such bank loan amounted to HK$40,000,000 (2017: HK$40,000,000). 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 (2017: January 2020) 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*
2018							
Bank loan at variable rate	**4.02%**	**402**	**1,206**	**40,454**	**–**	**42,062**	**40,000**
2017							
Bank loan at variable rate	2.42%	247	741	988	40,279	42,255	40,000

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments

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

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
	HK$'000	*HK$'000*		
Listed equity securities classified as investments held for trading	**34,911**	43,814	Level 1	Quoted prices in an active market
Listed debt securities classified as debt instruments at available-for-sale investments	**7,691**	–	Level 1	Quoted prices in an active market

32. 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.

33. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out by the Group with the related parties during the years. The terms of the below transactions (a) and (b) were mutually agreed by the Group and the related companies.

(a) Significant related party transactions with Elevant–Garde

	2018	2017
	HK$'000	*HK$'000*
Accounting service income received from Elevant–Garde	8	–
Licence income received from Elevant–Garde	154	19

	2018	2017
	HK$'000	*HK$'000*
Repair and maintenance expense paid/payable to Elevant–Garde	95	–
Addition of investment properties paid to Elevant–Garde	500	–
Deposits paid to Elevant–Garde included in deposits and prepayments	107	–

Note: The Group holds a 50% equity interest of Elevant–Garde, a joint venture of the Group. Mr. Wong Tat Chang, Abraham, Mr. Wong Tak Kee, David and Mr. Wong Tat Sum, Samuel, who are the executive directors of the Company (the "Executive Directors"), are beneficial owners of Elevant–Garde.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions with B.L. Wong & Company Limited ("B.L. Wong")

	2018	2017
	HK$'000	*HK$'000*
Rental income received from B.L. Wong	1,020	920
Property management fee received from B.L. Wong	233	210

Note: All the three Executive Directors held interests in the Company and B.L. Wong.

(c) Compensation of key management personnel

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

	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	7,274	6,116
Retirement scheme contributions	79	88
	7,353	6,204

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

	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	136,215	132,473	146,515	141,962	**135,535**
Profit for the year	179,228	172,529	259,690	420,421	**480,008**
Profit for the year attributable to:					
Owners of the Company	178,001	172,434	259,012	419,883	**480,770**
Non-controlling interests	1,227	95	678	538	**(762)**
	179,228	172,529	259,690	420,421	**480,008**

(B) CONSOLIDATED NET ASSETS

	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	4,413,624	4,547,930	4,781,392	5,147,246	**5,588,661**
Total liabilities	(158,322)	(154,329)	(161,914)	(139,442)	**(141,400)**
Net assets	4,255,302	4,393,601	4,619,478	5,007,804	**5,447,261**
Equity attributable to owners of the Company	4,247,383	4,385,587	4,610,786	5,000,255	**5,440,474**
Non-controlling interests	7,919	8,014	8,692	7,549	**6,787**
Total	4,255,302	4,393,601	4,619,478	5,007,804	**5,447,261**

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
				(square meters)
In Hong Kong				
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
				(square meters)
In Hong Kong *(Continued)*				
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
In the People's Republic of China				
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