博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : 225

INTERIM REPORT 2018 / 2019

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham
Hui Sui Yuen

COMPANY SECRETARY

Hui Sui Yuen

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
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

INTERIM PROFIT

The unaudited consolidated net profit of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the six months ended 31 March 2019 (the "Period") was approximately HK$73.4 million (2018: HK$395.5 million). Such profit took into account the following major non-operating items:

- A revaluation surplus of approximately HK$27.3 million (2018: HK$355.2 million) on investment properties;
- Net revaluation losses of approximately HK$0.1 million (2018: HK$5.6 million) on securities investments and an equity instrument;
- Share of losses of joint ventures of approximately HK$1.0 million (2018: HK$1.5 million);
- No provision for repair and maintenance (2018: provision of HK$4.7 million);
- Exchange gain on amount due from a joint venture of approximately HK$1.5 million (2018: HK$3.7 million); and
- Net provision for impairment losses in respect of expected credit losses on financial assets of approximately HK$3.0 million (2018: Nil) as a result of the adoption of a new and amended Hong Kong Financial Reporting Standard that was effective from 1 October 2018.

If the above items and their net taxation expense of approximately HK$1.6 million (2018: HK$1.3 million) were excluded, the operating net profit after taxation and non-controlling interests for the Period would be approximately HK$50.3 million (2018: HK$49.7 million).

INTERIM DIVIDEND

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved to declare an interim dividend of HK4 cents per ordinary share of the Company in respect of the first six months of the financial year ending 30 September 2019 (2018: HK4 cents per ordinary share) payable on 5 July 2019 to the Company's shareholders (the "Shareholders") whose names will appear on the register of members of the Company (the "Register of Members") on 26 June 2019.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

A. Hong Kong

Rental business – Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 2.7% above that of the same period last year. Rental income from the Group's residential properties showed a slight decrease of 0.3%. The decrease was attributed to a major renovation program on the Group's properties at No.4 Headland Road which had to be vacated for the renovation construction to be carried out. Revenue from the Group's office and industrial properties had shown a 8% increase over that of the previous year, which was in line with the local segment trends.

Elephant Holdings Limited ("EHL") – Due to keen competition in the sector of Public Address/ CCTV Security/Audio Visual System Engineering which are EHL's fields of specialty, this subsidiary operated at break-even in spite of an approximately 8% increase in sales revenue recorded for the six months period under review. This subsidiary will continue to make 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.

Property-related Fund Investment – 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 million. The objective of TKO Fund is to co-invest with an institutional investor in three 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.

Subject to the prevailing market conditions, it is expected that the holding period of the investment in the properties held by the TKO Fund shall be approximately 5 years from its acquisition at the end of March 2019. The Group considers the investment in TKO Fund to be a better alternative than direct investment in this property market sector.

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) – During the period under review, the three shareholders of Silver Gain Development Limited (銀利發展有限公司) ("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 enterprises held by the Central People's Government of the People's Republic of China, disposal of their assets needs to be approved by the ultimate State-owned holding company. The approval of the disposal of the assets has recently been granted, and the sale of the three shareholders' equity interest of this Joint Venture Company has to go through an open tendering process through the United Assets and Equity Exchanges in Shanghai. The tendering is in process as of the date of this Statement. 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 – There was a 2.6% increase in rental revenue compared to that of the previous corresponding period last year.

CHAIRMAN'S STATEMENT

PROSPECT

The ongoing conflict between the US and China has encompassed not only the trade sector, but has enlarged into the technological and geopolitical area as well. This has caused Hong Kong to face economic uncertainty in the immediate future. In view of the above, rental income of the Group in the second half of the financial year is not expected to increase.

In spite of the above, the Group will continue 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 residential properties once they become vacant upon lease expiration.

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 30 May 2019

INDEPENDENT REVIEW REPORT

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111 Connaught Road Central
Hong Kong

To the Board of Directors of Pokfulam Development Company Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 8 to 39 which comprise the condensed consolidated statement of financial position of Pokfulam Development Company Limited and its subsidiaries as of 31 March 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

INDEPENDENT REVIEW REPORT

CONCLUSION

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

BDO Limited
Certified Public Accountants
Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong, 30 May 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

		Six months ended	
		31.3.2019	31.3.2018
	NOTES	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Revenue	*4*	70,224	67,661
Cost of goods sold		(10,502)	(10,314)
Cost of rental and other operations		(16,703)	(17,475)
		43,019	39,872
Other income and gains		21,563	24,994
Other expenses		(3,007)	(4,655)
Selling and marketing expenses		(441)	(705)
Administrative expenses		(7,967)	(6,674)
Finance costs	*5*	(731)	(424)
Profit before changes in fair value of financial assets at fair value through profit or loss/investments held for trading and investment properties		52,436	52,408
Decrease in fair value of financial assets at fair value through profit or loss/investments held for trading		(78)	(5,592)
Increase in fair value of investment properties	*10*	27,285	355,201
		79,643	402,017
Share of losses of joint ventures		(1,048)	(1,538)
Profit before income tax	*6*	78,595	400,479
Income tax expense	*7*	(5,568)	(5,090)
Profit for the period		73,027	395,389
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value on equity instruments designated at fair value through other comprehensive income, net of tax		(16,200)	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value on debt instruments at fair value through other comprehensive income, net of tax		718	–
Exchange difference arising on translation of foreign operations		1,135	4,184
Exchange gain arising from long term advances to a joint venture		1,649	2,272
Other comprehensive income for the period, net of tax		(12,698)	6,456
Total comprehensive income for the period		60,329	401,845
Profit/(loss) for the period attributable to:			
Owners of the Company		73,445	395,476
Non-controlling interests		(418)	(87)
		73,027	395,389
Total comprehensive income for the period attributable to:			
Owners of the Company		60,747	401,932
Non-controlling interests		(418)	(87)
		60,329	401,845
		HK$	*HK$*
Earnings per share – basic	*9*	0.67	3.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	NOTES	31.3.2019 *HK$'000* (unaudited)	30.9.2018 *HK$'000* (audited)
Non-current Assets			
Investment properties	*10*	5,131,082	5,087,890
Property, plant and equipment	*10*	4,165	4,266
Interests in joint ventures		22,131	20,787
Amount due from a joint venture		121,268	130,590
Deposits and prepayments		4,559	4,992
Available-for-sale investments	*11(A)*	–	15,691
Debt instruments at fair value through other comprehensive income	*11(B)*	37,343	–
Financial asset at fair value through profit or loss	*11(C)*	38,419	–
Equity instrument designated at fair value through other comprehensive income	*11(B)*	48,500	–
		5,407,467	5,264,216
Current Assets			
Inventories		10,471	10,100
Investments held for trading	*11(D)*	–	34,911
Financial assets at fair value through profit or loss	*11(C)*	31,181	–
Loan to a joint venture		12,064	14,132
Trade and other receivables	*12*	7,460	8,795
Deposits and prepayments		10,353	8,877
Tax recoverable		2,180	–
Bank balances and cash		189,498	247,630
		263,207	324,445
Current Liabilities			
Trade payables, other payables and deposits received	*13*	30,548	26,690
Rental and management fee deposits		24,284	24,015
Provision for taxation		6,020	9,776
Bank loans, secured	*14*	55,000	40,000
		115,852	100,481
Net Current Assets		147,355	223,964
Total Assets less Current Liabilities		5,554,822	5,488,180
Capital and Reserves			
Share capital		146,134	146,134
Reserves		5,359,645	5,294,340
Equity attributable to owners of the Company		5,505,779	5,440,474
Non-controlling interests		6,369	6,787
Total Equity		5,512,148	5,447,261
Non-current Liability			
Deferred taxation		42,674	40,919
		5,554,822	5,488,180

The condensed consolidated interim financial statements on pages 8 to 39 were approved and authorised for issue by the Board on 30 May 2019 and are signed on its behalf by:

Wong Tat Chang, Abraham *DIRECTOR*	Wong Tat Sum, Samuel *DIRECTOR*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Attributable to owners of the Company							
	Share capital	Translation reserve*	Investment revaluation reserve (recycling)*	Investment revaluation reserve (non-recycling)*	Retained profits*	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 October 2017 (audited)	146,134	8,364	–	–	4,845,757	5,000,255	7,549	5,007,804
Profit/(loss) for the period	–	–	–	–	395,476	395,476	(87)	395,389
Other comprehensive income for the period:								
Exchange difference arising on translation of foreign operations	–	4,184	–	–	–	4,184	–	4,184
Exchange gain arising from long term advances to a joint venture	–	2,272	–	–	–	2,272	–	2,272
Total comprehensive income for the period	–	6,456	–	–	395,476	401,932	(87)	401,845
Dividend paid	–	–	–	–	(33,054)	(33,054)	–	(33,054)
As at 31 March 2018 (unaudited)	146,134	14,820	–	–	5,208,179	5,369,133	7,462	5,376,595
As at 30 September 2018 as originally presented (audited)	146,134	5,508	(234)	–	5,289,066	5,440,474	6,787	5,447,261
Change in accounting policy Adoption of HKFRS 9 *(Note 3B)*	–	–	–	56,700	(14,681)	42,019	–	42,019
Restated balance as at 1 October 2018	146,134	5,508	(234)	56,700	5,274,385	5,482,493	6,787	5,489,280
Profit/(loss) for the period	–	–	–	–	73,445	73,445	(418)	73,027
Other comprehensive income for the period:								
Changes in fair value on:								
– Debt instruments at fair value through other comprehensive income	–	–	718	–	–	718	–	718
– Equity instrument designated at fair value through other comprehensive income	–	–	–	(16,200)	–	(16,200)	–	(16,200)
Exchange difference arising on translation of foreign operations	–	1,135	–	–	–	1,135	–	1,135
Exchange gain arising from long term advances to a joint venture	–	1,649	–	–	–	1,649	–	1,649
Total comprehensive income for the period	–	2,784	718	(16,200)	73,445	60,747	(418)	60,329
Dividend paid	–	–	–	–	(37,461)	(37,461)	–	(37,461)
As at 31 March 2019 (unaudited)	146,134	8,292	484	40,500	5,310,369	5,505,779	6,369	5,512,148

* These reserve accounts comprise the consolidated reserves of approximately HK$5,359,645,000 in the condensed consolidated statement of financial position as at 31 March 2019 (30 September 2018: HK$5,294,340,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	30,300	24,572
Investing activities		
Investment in a joint venture	–	(1,000)
Advance to joint ventures	(187)	(2,966)
Dividend income from an investee company classified as an equity instrument designated at fair value through other comprehensive income/an available-for-sale investment	13,367	13,333
Investment in listed debt securities classified as debt instruments at fair value through other comprehensive income	(28,738)	–
Investment in a financial asset at fair value through profit or loss	(34,767)	–
Additions of investment properties	(15,213)	(13,412)
Other investing cash flows	(94)	(86)
Net cash used in investing activities	(65,632)	(4,131)
Financing activities		
New bank borrowing	15,000	–
Dividend paid	(37,461)	(33,054)
Interest paid	(731)	(424)
Net cash used in financing activities	(23,192)	(33,478)
Net decrease in cash and cash equivalents	(58,524)	(13,037)
Cash and cash equivalents at the beginning of the period	247,630	245,093
Effect of foreign exchange rates changes	392	818
Cash and cash equivalents at the end of the period, represented by bank balances and cash	189,498	232,874

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its issued shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are together referred to as the Group.

The principal activities of the Company are property investment and investment holding. The principal activities of the Company's subsidiaries 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the Period (the "Condensed Consolidated Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Condensed Consolidated Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's audited annual consolidated financial statements for the year ended 30 September 2018 (the "Year 2018" and the "2018 Audited Financial Statements", respectively). The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the 2018 Audited Financial Statements.

The financial information relating to the Year 2018 that is included in the Condensed Consolidated Interim Financial Statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the 2018 Audited Financial Statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor (the "Independent Auditor") has reported on the 2018 Audited Financial Statements. The Independent Auditor's report was unqualified, did not include a reference to any matters to which the Independent Auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, as explained in note 3, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of consideration for goods and services.

These Condensed Consolidated Interim Financial Statements have been prepared with the same accounting policies adopted in the 2018 Audited Financial Statements, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA effective for the first time for annual periods beginning on 1 October 2018.

During the Period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The impact of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" have been summarised in note 3. The other new or amended HKFRSs that are effective from 1 October 2018 did not have material effect on the Group's accounting policies.

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management of the Company (the "Management") in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Audited Financial Statements except for the estimation on the expected credit losses ("ECLs") as set out in note 3.

The Group is in the process of making assessment of the potential impact of adopting new/revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group. The directors of the Company (the "Directors") have so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on these Condensed Consolidated Interim Financial Statements and discloses the new accounting policies that have been applied from 1 October 2018, where they are different to those applied in prior periods.

A. HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 October 2018, thus the comparative figures have not been restated.

Timing of revenue recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. HKFRS 15 – Revenue from Contracts with Customers (continued)

Timing of revenue recognition (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue at a single point in time, being when control has passed.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Condensed Consolidated Interim Financial Statements and the initial application of HKFRS 15 did not result in significant impact on the Group's accounting policies on these key sources of revenue:

- Rental income under operating lease will continue to be accounted for under HKAS 17 Leases on a straight-line basis over the term of the relevant lease.
- Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time upon when the customers accepted the goods. There is generally only one performance obligation. Invoices are generally payable within 30 days.
- Building management fees income is recognised over the period when services are provided.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The adoption of HKFRS 15 in the current period has had no material impact on the Group's financial performance and positions for the current and prior accounting period and resulted in more disclosures as set out these Condensed Consolidated Interim Financial Statements.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. HKFRS 15 – Revenue from Contracts with Customers (continued)

Presentation of contract liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to "Customer deposits received" were presented in the consolidated statement of financial position under "trade payables, other payables and deposits received".

To reflect these changes in presentation, the Group has made the reclassification adjustment as at 1 October 2018. As a result of the adoption of HKFRS 15, the amount of approximately HK$3,401,000 is now classified as contract liabilities within "trade payables, other payables and deposits received" as at 1 October 2018.

B. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") for annual periods beginning on or after 1 October 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 October 2018 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. HKFRS 9 was generally adopted without restating comparative financial information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the consolidated statement of financial position as at 30 September 2018, but are recognised in the opening balance on 1 October 2018.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

On 1 October 2018 (the date of the initial application of HKFRS 9), the Management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it supersedes the previous HKAS 39 categories for financial assets of held-to-maturity investment, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies in relation to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a debt investment that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured as FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

FVOCI (debt instruments)

Subsequent changes in the carrying amounts for debt instruments classified as at FVOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income ("OCI") and accumulated under the heading of investment revaluation reserve (recycling). Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulated gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

FVOCI (equity instruments)

Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in OCI and accumulated under the heading of investment revaluation reserve (non-recycling), and are not reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each individual line item of the Group's financial assets as at 1 October 2018 (including impairment). Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 October 2018 under HKAS 39	Remeasurement	Impairment under ECL	Carrying amount as at 1 October 2018 under HKFRS 9
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity securities	Investments held for trading	FVTPL *(Note a)*	34,911	–	–	34,911
Unlisted equity investment	Available-for-sale (at cost)	Equity instruments at FVOCI *(Note b)*	8,000	56,700	–	64,700
Listed debt securities investment	Available-for-sale (at fair value)	Debt instruments at FVOCI *(Note c)*	7,691	–	–	7,691
Trade and other receivables	Loans and receivables	Amortised cost	8,795	–	(1,060)	7,735
Amount due from a joint venture	Loans and receivables	Amortised cost	130,590	–	(12,291)	118,299
Loan to a joint venture	Loans and receivables	Amortised cost	14,132	–	(1,330)	12,802
Deposits	Loans and receivables	Amortised cost	2,003	–	–	2,003
Bank balances and cash	Loans and receivables	Amortised cost	247,630	–	–	247,630
			453,752	56,700	(14,681)*	495,771

* Expected credit loss rates ranged from 2.12% to 23%.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

Notes:

(a) Listed equity securities held by the Group were classified as financial assets at FVTPL under HKAS 39. These securities continue to be measured at FVTPL under HKFRS 9.

(b) As of 1 October 2018, an unlisted equity investment was reclassified from available-for-sale assets at cost to FVOCI. The unlisted equity instrument has no quoted price in an active market. The Group intends to hold the unlisted equity investment for long term strategic capital investment purposes. In addition, the Group has designated such unlisted equity instrument at the date of initial application as measured at FVOCI. As at 1 October 2018, the difference between the previous carrying amount and the fair value of approximately HK$56,700,000 has been included in the opening investment revaluation reserve (non-recycling).

(c) A listed debt securities investment was reclassified from available-for-sale financial assets at fair value to FVOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. The listed debt securities investment meet the SPPI criterion. As such, the listed debt securities investment with a fair value of HK$7,691,000 were reclassified from available-for-sale investments to debt instruments at FVOCI, and the fair value losses of approximately HK$234,000 remain in the investment revaluation reserve (recycling) as of 1 October 2018.

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of retained earnings and reserves as of 1 October 2018:

	HK$'000
Retained profits	
Retained profits as at 30 September 2018	5,289,066
Recognition of additional expected credit losses (attributable to owners of Company)	(14,681)
Restated retained profits as at 1 October 2018	5,274,385
Investment revaluation reserve (non-recycling)	
Reserve balance as at 30 September 2018	–
Remeasurement of financial assets now measured at FVOCI	56,700
Restated reserve balance as at 1 October 2018	56,700

The Directors reviewed and assessed the Group's financial assets as at 1 October 2018 based on the facts and circumstances that existed as at that date.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

Except for the above, the adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Group's other financial assets. Trade and other receivables, deposits, loan to a joint venture as well as amount due from a joint venture are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under HKFRS 9. Therefore, reclassification for these instruments is not required. These financial assets continue to be measured at amortised cost and are subsequently measured using effective interest rate method.

There is no impact on Group's accounting for financial liabilities, as the new requirements under HKFRS 9 only affect the accounting for financial liabilities that are designated at FVTPL of which the Group does not have any.

On 1 October 2018, the Directors have closely monitored the credit qualities and the collectability of the trade receivables. They have reviewed and assessed the Group's other existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements HKFRS 9.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period. The amount of ECL is updated as at each reporting date to reflect changes in credit risk since initial recognition.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs ("12m ECL"): these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions as at the reporting date as well as the forecast of future conditions.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the allowance will be based on lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience, informed credit assessment and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement and recognition of ECLs

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward- looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

4. SEGMENT INFORMATION

The Group's operating segments based on the information reported to the chief operating decision maker (the "CODM") (i.e. the managing director of the Company (the "Managing Director")) for the purposes 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 (including listed debt securities)

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

Six months ended 31 March 2019

	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	53,296	16,409	519	70,224	–	70,224
Inter-segment	912	125	–	1,037	(1,037)	–
	54,208	16,534	519	71,261	(1,037)	70,224
Segment profit/(loss) *(Note)*	67,504	226	(2,796)	64,934	–	64,934
Unallocated other income and gains						24,751
Other expenses						(1,828)
Central administrative costs						(7,483)
Finance costs						(731)
Share of losses of joint ventures						(1,048)
Profit before income tax						78,595

Note: Segment profit of property investment and management division included an increase in fair value of investment properties of approximately HK$27,285,000.

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 March 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	51,902	15,241	518	67,661	–	67,661
Inter-segment	908	501	–	1,409	(1,409)	–
	52,810	15,742	518	69,070	(1,409)	67,661
Segment profit/(loss) *(Note)*	389,013	540	(5,054)	384,499	–	384,499
Unallocated other income and gains						24,392
Central administrative costs						(6,450)
Finance costs						(424)
Share of losses of joint ventures						(1,538)
Profit before income tax						400,479

Note: Segment profit of property investment and management division included an increase in fair value of investment properties of approximately HK$355,201,000.

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, dividend income from equity instrument at fair value through other comprehensive income/available-for-sale investment, increase in fair value of financial asset at fair value through profit or loss and exchange gain), other expenses (impairment losses on amount due from and loan to a joint venture), central administrative costs, finance costs and share of losses of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

4. SEGMENT INFORMATION (CONTINUED)

(a) Revenue from contracts with customers within the scope of HKFRS 15 recognised is as follows:

	Six months ended 31.3.2019 HK$'000	Six months ended 31.3.2018 HK$'000
Sales of goods	16,409	15,241
Building management services	2,532	2,490
	18,941	17,731
Revenue from other sources	51,283	49,930
	70,224	67,661

The following table provides information about disaggregation of revenue from contracts with customers:

	Six months ended 31.3.2019 HK$'000	Six months ended 31.3.2018 HK$'000
Timing of revenue recognition		
At a point in time	16,409	15,241
Over time	2,532	2,490
	18,941	17,731

5. FINANCE COSTS

The amounts mainly represent interests on bank loans.

6. PROFIT BEFORE INCOME TAX

	Six months ended 31.3.2019 HK$'000	Six months ended 31.3.2018 HK$'000
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation on property, plant and equipment	413	414
Gain on disposal of property, plant and equipment	–	(6)
Provision for repair and maintenance	–	4,655
Provision for impairment loss on trade and other receivables	1,179	–
Impairment loss on amount due from a joint venture	1,887	–
Reversal of impairment loss on loan to a joint venture	(59)	–
Imputed interest income on amount due from a joint venture	(3,346)	(3,309)
Dividend income from listed securities	(519)	(518)
Dividend income from an investee company classified as an equity instrument designated at fair value through other comprehensive income/an available-for-sale investment	(13,367)	(13,333)

7. INCOME TAX EXPENSE

	Six months ended 31.3.2019 HK$'000	Six months ended 31.3.2018 HK$'000
Hong Kong Profits Tax	3,682	3,337
The People's Republic of China (the "PRC") Enterprise Income Tax	131	457
Deferred tax charge	1,755	1,296
	5,568	5,090

8. DIVIDEND

In January 2019, the final dividend in respect of the Year 2018 of HK34 cents (2018: HK30 cents in respect of the financial year ended 30 September 2017) per ordinary Share, totalling HK$37,461,000 (2018: HK$33,054,000), was paid to the Shareholders of the Company ("Shareholders").

Subsequent to the end of the Period, the Board has determined that an interim dividend in respect of the financial year ending 30 September 2019 of HK4 cents (2018: HK4 cents) per ordinary Share, totalling HK$4,407,000 (2018: HK$4,407,000) will be paid to the Shareholders whose names appear on the Register of Members on 26 June 2019.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the Period of approximately HK$73,445,000 (six months ended 31 March 2018: HK$395,476,000) and on 110,179,385 (six months ended 31 March 2018: 110,179,385) Shares in issue during the Period.

Diluted earnings per share is not presented as there were no potential ordinary Shares in issue during both periods and as at 31 March 2019 and 31 March 2018.

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

The Group's investment properties as at 31 March 2019 were carried at fair value as estimated using direct comparison method or income capitalisation method, where appropriate. The increase in fair value of approximately HK$27,285,000 (six months ended 31 March 2018: HK$355,201,000) has been recognised directly in profit or loss for the Period.

During the Period, the Group had incurred additional costs on investment properties as well as property, plant and equipment at a total cost of approximately HK$15,907,000 and approximately HK$312,000 respectively (six months ended 31 March 2018: HK$11,473,000 and HK$96,000 respectively).

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

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	(2,552)	207,493
Commercial	15,705	136,734
Industrial	5,900	5,250
Properties located in the PRC:		
Residential	8,232	5,724
	27,285	355,201

11(A). AVAILABLE-FOR-SALE INVESTMENTS

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
Listed debt securities investment, at fair value	–	7,691
Unlisted equity investment, at cost	–	8,000
	–	15,691

Upon adoption of HKFRS 9 on 1 October 2018, the financial instrument category of available-for-sale financial assets is no longer available. Management has assessed the business models and the contractual terms of the cash flows that applied to the financial instruments and reclassified these financial instruments into appropriate HKFRS 9 categories (Note 3B).

11(B). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
Debt instruments at FVOCI		
Listed debt securities investment, at fair value and classified as non-current asset	37,343	–
Equity instrument designated at FVOCI		
Unlisted equity investment, at fair value and classified as current asset	48,500	–

The equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be long term strategic capital investment in nature.

Changes in fair value of the above equity instrument is recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserves within equity. The Group transfers amounts from this reserve to retained earnings when the relevant instrument is derecognised.

The debt securities investment is listed in Hong Kong and denominated in United States Dollar ("US$"). As at 31 March 2019, the maturity dates of the listed debt securities were beyond one year after the end of reporting period.

11(C). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
Unlisted equity instrument in Hong Kong, at fair value and classified as non-current asset *(Note)*	38,419	–
Listed equity securities in Hong Kong, at fair value and classified as current asset	31,181	–

Note:

The Group intends to hold the unlisted equity instrument for long term strategic capital investment purpose.

There is a contractual obligation for the unlisted investee company to distribute proceeds from the sales of its investments or residual assets upon termination of the investee company to its shareholders. The change in fair value of the unlisted equity instrument during the Period is recognised in profit or loss and such the investment was recorded as financial asset at FVTPL as at 31 March 2019 according to the relevant exemption in HKAS 32 and HKFRS 9.

11(D). INVESTMENTS HELD FOR TRADING

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at fair value and classified as current asset	–	34,911
	–	34,911

Upon adoption of HKFRS 9 on 1 October 2018, the financial instrument category of investments held for trading is no longer available. The management has assessed the business models and the contractual terms of the cash flows apply to the financial instruments and reclassified these financial instruments into appropriate HKFRS 9 categories (Note 3B).

12. TRADE AND OTHER RECEIVABLES

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

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

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
0 – 30 days	2,632	2,877
31 – 60 days	100	160
61 – 90 days	39	20
Over 90 days	786	731
Trade receivables	3,557	3,788
Other receivables	6,142	5,007
Less: Provision for impairment losses#	(2,239)	–
Total trade and other receivables, net	7,460	8,795

Movements on the provision for impairment of trade and other receivables are as follows:

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
As at 1 October 2018	–	–
Effect of adoption of HKFRS 9 *(Note 3(B))*	1,060	–
Restated balance as at 1 October 2018	1,060	–
Provision for impairment of trade and other receivables	1,179	–
Total	2,239	–

Expected credit loss rates ranged from 1.27% to 38%.

13. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

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

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
0 – 30 days	2,008	500
31 – 60 days	353	28
61 – 90 days	591	5
Over 90 days	274	1,894
	3,226	2,427
Other payables	17,106	14,725
Renovation fee and retention payable	1,731	1,037
Receipts in advance	–	1,850
Contract liabilities *(Note)*	3,385	–
Provision for repair and maintenance	5,100	5,100
Deposits received for sale of goods	–	1,551
Total trade payables, other payables and deposits received	30,548	26,690

Note:

The rental receipt in advance and trade deposit received from customers of HK$3,401,000 under HKAS 18 were reclassified to contract liabilities in the condensed consolidated statement of financial position at the date of initial application (1 October 2018). The comparative information is not restated.

14. BANK LOANS, SECURED

The bank loans were secured by the Group's investment properties amounting to approximately HK$2,592,000,000 as at 31 March 2019 (as at 30 September 2018: HK$666,000,000). During the Period, the Group drew a bank loan which carried interest at variable rates amounting to HK$15,000,000.

15. COMMITMENTS

At the end of the Period, the Group had the following commitment:

	31.3.2019	30.9.2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property renovation costs	60,000	70,145
Share of commitments of its joint venture in respect of cost of development of commercial/residential complex	–	135
Investment in an unlisted equity instrument	3,947	–
	63,947	70,280
Authorised, but not contracted for:		
Property renovation costs	14,406	7,211

16. PLEDGE OF ASSETS

As at 31 March 2019, investment properties, leasehold land and building of the Group with a carrying amount of approximately HK$4,817,300,000 (as at 30 September 2018: HK$4,788,900,000) and HK$2,369,000 (as at 30 September 2018: HK$2,425,000), respectively were pledged to banks to secure the general banking facilities granted to the Group.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at 31 March 2019	Fair value measurements as at 31 March 2019 categorised into Level 1	Level 2	Level 3
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*
Financial assets measured at FVTPL:				
– Listed equity securities in Hong Kong	31,181	31,181	–	–
– Unlisted equity instrument in Hong Kong	38,419	–	–	38,419
Equity instruments designated at FVOCI:				
– Unlisted equity investment in Hong Kong	48,500	–	–	48,500
Debt instruments at FVOCI:				
– Listed debt securities investment	37,343	37,343	–	–

Financial assets	Fair value as at 30 September 2018	Fair value measurements as at 30 September 2018 categorised into Level 1	Level 2	Level 3
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*
Financial assets measured at FVTPL:				
– Listed equity securities in Hong Kong	34,911	34,911	–	–
Available-for-sale asset:				
– Listed debt securities investment	7,691	7,691	–	–

Note:

(i) Fair values of these investments have been determined by reference to their quoted bid prices as at the reporting date.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity securities classified as equity instruments designated at FVOCI	Unlisted equity instrument classified as financial asset at FVTPL
	HK$'000	*HK$'000*
Opening balance as at 1 October 2018	8,000	–
Adoption of HKFRS 9 *(Note 3(B))*	56,700	–
Addition during the period	–	34,767
Change in fair value, recognised in other comprehensive income	(16,200)	–
Change in fair value, recognised in profit or loss	–	3,652
Closing balance as at 31 March 2019	48,500	38,419

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value as at 31 Mar 2019	Valuation techniques and key input(s)	Unobservable input	Sensitivity analysis
	HK$'000			
Financial asset measured at FVTPL				
Unlisted equity instrument in Hong Kong	38,419	Adjusted asset-based approach and valuation is based on the fair value of the net assets of the underlying equity instruments.	Discount rate for lack of control at 30%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Equity instrument designated at FVOCI				
Unlisted equity investment in Hong Kong	48,500	Market approach and valuation is derived by the earnings attributable to owners of the investment, price-to-earnings multiples of comparable companies and discount for the marketability.	Discount rate for lack of marketability at 35%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

There were no transfers between levels during the Period.

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 consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Interim Financial Statements approximate their fair values.

18. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the Condensed Consolidated Interim Financial Statements, the following transactions were carried out by the Group with the related parties during the periods. 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 Limited ("EVG") during the periods

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
Accounting service income received from EVG	12	–
Licence income received from EVG	116	77
Repair and maintenance expense paid/payable to EVG	371	–
Addition of investment properties paid/payable to EVG	65	–

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
Deposits paid to EVG included in deposits and prepayments	570	310

Note: The Group holds a 50% equity interest in EVG, 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 EVG.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
Rental income received from B.L. Wong	510	510
Property management fee received from B.L. Wong	117	115

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

(c) Compensation of key management personnel

Total remuneration of the Directors and other members of key management personnel of the Group during the periods were as follows:

	Six months ended	
	31.3.2019	31.3.2018
	HK$'000	*HK$'000*
Short term employee benefits	3,692	3,309
Retirement scheme contributions	40	40
	3,732	3,349

GENERAL INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

Shareholders' funds as at 31 March 2019 were HK$5,505.8 million (30 September 2018: HK$5,440.5 million).

As at 31 March 2019, the Group's total bank balances and cash amounted to HK$189.5 million (30 September 2018: HK$247.6 million), of which over 61% (30 September 2018: 93%) was denominated in Hong Kong dollar ("HK$"), 29% (30 September 2018: 1%) was denominated in US$ and 9% (30 September 2018: 6%) was denominated in Renminbi. The foreign exchange exposure of the Group was not significant given that its large asset base and operational cash flow primarily were denominated in HK$ and the HK$ is pegged to US$.

As at 31 March 2019, the Group's total borrowing, which was denominated in HK$, was HK$55.0 million (30 September 2018: HK$40.0 million).

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

	31.3.2019	30.9.2018
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**55.0**	–
After one year but within two years	–	40.0
After two years but within five years	–	–
	55.0	40.0

The Group's bank loan of HK$15.0 million drawn in March 2019 is a 3-month revolving loan and classified under current liabilities.

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

As at 31 March 2019, the Group had undrawn banking facilities of approximately HK$436.0 million, which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing and charge on assets

As at 31 March 2019, the debt to equity ratio, based on the Group's total borrowing of HK$55.0 million and the consolidated equity attributable to owners of the Company of approximately HK$5,505.8 million, was 1.0%, as compared with 0.7% on 30 September 2018.

As at 31 March 2019, investment properties and properties for own use of the Group with an aggregate carrying value of approximately HK$4,817.3 million and approximately HK$2.4 million, respectively were pledged to banks to secure the general banking facilities granted to the Group.

Commitments

Particulars of the Group's commitments are set out in note 15 to the Condensed Consolidated Interim Financial Statements.

GENERAL INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 107 employees (2018: 103). The staff remuneration including Directors' emoluments and other employee expenses for the Period amounted to approximately HK$13.3 million (2018: HK$11.4 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate governance

Throughout the Period, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save for the following:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Although Mr. Wong Tat Chang, Abraham holds both the positions of chairman of the Board (the "Chairman") and 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 are represented by independent non-executive Directors (the "INEDs"), and corporate governance structure ensure effective oversight of management.

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

Dividend policy

The Company adopted a dividend policy to provide the Shareholders with regular dividends (the "Dividend Policy") on 27 March 2019. This Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed to be retained, as dividends to the Shareholders. For details, please refer to the announcement published by the Company on 27 March 2019.

GENERAL INFORMATION

Model code for securities transactions by Directors

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

Purchase, sale or redemption of the Company's listed securities

During the Period, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

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

As at 31 March 2019, 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 Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

(a) *Long position interests in the Company*

	Number of Shares/underlying Shares interested				Approximate percentage of
Name of Directors/ chief executive	Personal interests	Family interests	Other interests	Total	the Company's issued Shares
		(Note 1)	*(Note 2)*		*(Note 3)*
Wong Tat Chang, Abraham	450,800	–	80,633,866	81,084,666	73.6%
Wong Tat Kee, David	–	–	80,633,866	80,633,866	73.2%
Wong Tat Sum, Samuel	556,000	28,800	80,633,866	81,218,666	73.7%
Mdm. Lam Hsieh Lee Chin, Linda	104,420	–	–	104,420	0.1%

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

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

Notes:

(1) Mr. Wong Tat Sum, Samuel, an Executive Director, is deemed to be interested in 28,800 Shares, being the interest held beneficially by his wife.

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

(3) The percentage represents the total number of Shares interested divided by the number of issued Shares of 110,179,385 as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and 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 31 March 2019, other than the interests which would be required to be disclosed under provision 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 entity or person, not being a Director or the chief executive of the Company, of interests or short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

GENERAL INFORMATION

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

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

The Board determined the annual remuneration of each of the chairman and other members of the Board and the Board committees for the year ending 30 September 2019 upon the recommendation of the remuneration committee of the Company (as appropriate) as follows:

	Remuneration for chairman *HK$*	Remuneration for other members *HK$*
Board	110,000	110,000
Board committees:		
Audit committee	100,000	45,000
Remuneration committee	60,000	30,000
Nomination committee	Nil	Nil

With effect from 1 January 2019, the monthly salary (excluding the Director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman and the Managing Director, has been increased from HK$176,800 to HK$182,758.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from Monday, 24 June 2019 to Wednesday, 26 June 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim 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 Friday, 21 June 2019.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Company (the "Audit Committee") comprises all the three INEDs. The Audit Committee has reviewed the results of the Group for the Period (including the Condensed Consolidated Interim Financial Statements) and this interim report.

In addition, the Condensed Consolidated Interim Financial Statements have been reviewed by BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose review report is set out on pages 6 and 7 of this interim report.