博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : 225

ANNUAL REPORT 2018 / 2019

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
Seto Gin Chung, John

BOARD COMMITTEES

Audit Committee

Li Kwok Sing, Aubrey *(Chairman)*
Sit Hoi Wah, Kenneth
Seto Gin Chung, John

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
Chungs Lawyers
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 54, 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 2019 was approximately HK$136.9 million, as compared to approximately HK$480.8 million in the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of approximately HK$65.9 million (2018: HK$420.9 million) on investment properties;

- Net revaluation losses of approximately HK$4.9 million (2018: HK$8.9 million) on securities investments and an equity instrument;

- Share of losses of joint ventures of approximately HK$3.4 million (2018: HK$5.8 million);

- No provision for repair and maintenance (2018: HK$5.1 million); and

- Exchange loss on amount due from a joint venture of approximately HK$2.2 million (2018: HK$1.7 million).

- 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 those items and their net taxation expenses of approximately HK$0.4 million (2018: HK$1.6 million) were excluded, the operating net profit after taxation for the year would have been HK$84.9 million (2018: HK$83.0 million), representing an increase of 2.3% 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 2019 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 6 January 2020. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 5 July 2019, would give a total dividend of HK38 cents per share for the whole financial year (2018: HK38 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Tuesday, 31 December 2019, it is expected that the final dividend would be paid to the Shareholders on Thursday, 16 January 2020.

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 3.3% above that of the same period last year. Rental income from the Group's residential properties showed an increase of 2.4%. The increase was mainly due to the increase in rental revenue from the Group's properties in Scenic Villas and Kennedy Court on Shiu Fai Terrace, whereas income from the properties on Headland Road is affected by the renovation work at No. 4 Headland Road and the redevelopment construction work at No. 2, next to our property at No. 3. Revenue from the Group's office and industrial properties had shown a 5% increase over that of the previous year, which was in line with the local segment trends.

Elephant Holdings Limited ("EHL") –

EHL offers a variety of audiovisual solutions for commercial and professional use such as digital displays and signage, public address systems, CCTV systems, professional audiovisual systems and also luxury high fidelity audio systems. Furthermore, EHL has also been expanding its Hi-Fi, audio-visual and sound systems portfolio into the Mainland China market via distributors. The Company is of the view that there is a prospective growing market in high-end audio-visual and sound systems and Hi-Fi products in the Mainland China.

EHL is one of our major subsidiaries and it contributed around 22% to the Group's revenue and brought a positive impact on the Group's segment results.

EHL will continue to make investments in its IT-infrastructure and engineering capacity to become more competitive in bidding for large scale audiovisual system installation projects. In the future, the EHL's commercial audiovisual products will synergise well with the Group's property projects that generally require digital signage, CCTV and other audiovisual systems.

Property-related Fund Investment –

For diversification and expansion of investment into different real estate sectors, the Group has subscribed for participation in a third party property investment fund "TKO Fund" with a capital commitment of HK$39.0 million in October 2018. As at 30 September 2019, the Group has already contributed approximately HK$34.8 million capital to the TKO fund.

The objective of the 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 five years from its acquisition at the end of March 2019. The Group considers the investment in TKO Fund to be a better alternative under current market conditions than a direct investment in this property market sector.

As at 30 September 2019, our investment in the TKO fund was valued at HK$38.3 million and a HK$3.6 million revaluation gain was recorded in the Group's profit or loss since the acquisition.

Other securities investment –

The Group maintains a portfolio of stocks and other investment products which generate a high yield. The Group has taken into account the following criteria when determining whether to take up an investment and trading opportunity: i. Potential for return on investment in terms of capital appreciation and dividend payment for the target holding period; ii. Risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and iii. Diversification of the existing investment portfolio.

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) –

During the year, 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 of their shares of equity interests in the Joint Venture Company. Since 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 (the "PRC"), disposal of their assets needs to be approved by the ultimate State-owned holding company. The approval of the disposal of the assets has been granted during the year, 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 first tendering has lapsed as there was no offer received up to the end of the tender period. In November 2019, the re-tendering has commenced and the tender period will last for one month. The re-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 –

Occupancy rate and monthly rent of these units have dropped compared to last year.

CHAIRMAN'S STATEMENT

PROSPECTS

The unrest in Hong Kong in the past five months coupled with the conflict between the US and China have severely affected not only the retail, tourism and related sectors of the economy, but also Hong Kong citizens' daily lives. In view of the present situation, there is economic uncertainty in the immediate future. Rental income of the Group in the coming year is likely to be affected adversely.

In spite of the above, the Group continues to look for new investment opportunities with a cautious attitude, and has also committed to upgrade its property holdings to enhance their competitiveness in the rental market.

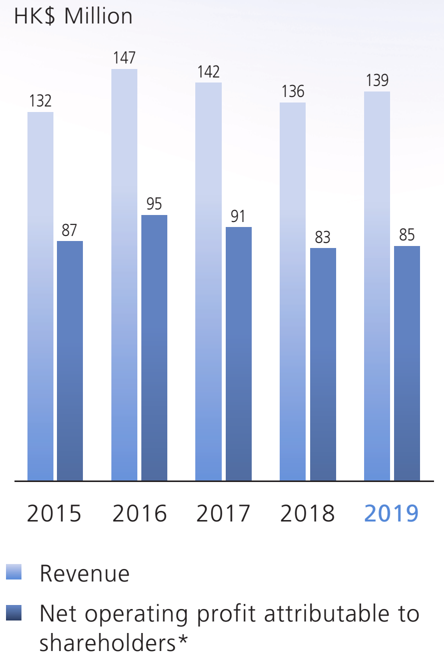
I thank my colleagues on the Board and our staff members for their loyal service and hard-work, and am also grateful to the Shareholders for their continued support to the Company.

Wong Tat Chang, Abraham
Chairman and Managing Director

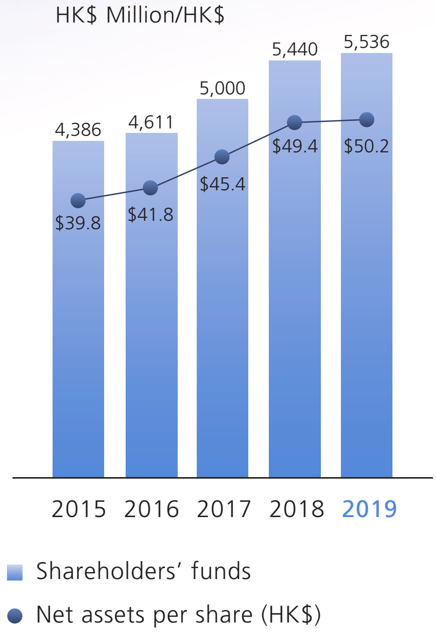
Hong Kong, 18 November 2019

FINANCIAL HIGHLIGHTS

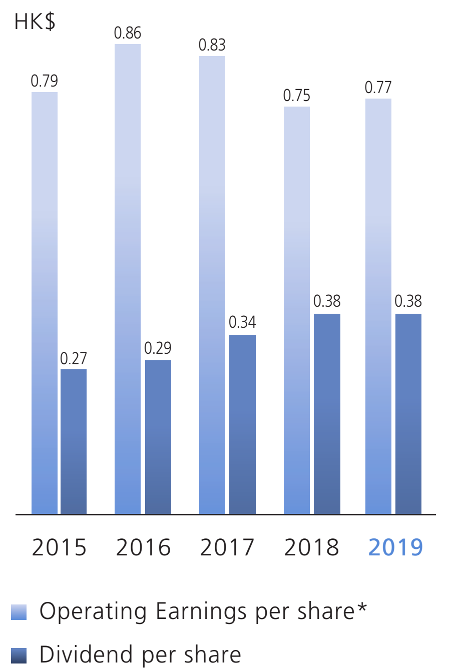
Revenue/Net Operating Profit



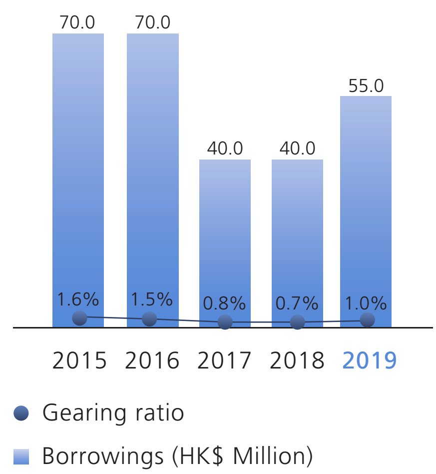
Shareholders' Funds/Net Assets per Share



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: 68)

Mr. Wong has been with the Group since 1981. Mr. Wong is the chairman of the nomination committee of the board of directors of the Company (the "Directors", the "Board" and the "Nomination Committee", respectively) and a member of the remuneration committee of the Board (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 ("EDs").

WONG TAT KEE, DAVID

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

ED (Age: 67)

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 40 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)

ED (Age: 64)

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 (the "INED") (Age: 92)

Mdm. Lam was appointed as a Director in 1973. During the Year, she was a member of the audit committee of the Board (the "Audit Committee"). With effect from close of business on 18 November 2019 (After the conclusion of the Board meeting of the Company held on 18 November 2019), Mdm. Lam has ceased to act as a member of the Audit Committee. She studied in Aurora College for Women, Shanghai, the People's Republic of China (the "PRC"). She is the elder of Kowloon Tong Church of the Chinese Christian and Missionary Alliance.

LI KWOK SING, AUBREY

ScB, MBA

INED (Age: 69)

Mr. Li was appointed as an INED 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 a Director of IAM Family Office 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 of Hong Kong Limited (the "Stock Exchange").

SIT HOI WAH, KENNETH

LLB (Hons.)

INED (Age: 61)

Mr. Sit was appointed as an INED 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).

SETO GIN CHUNG, JOHN

INED (Age: 71)

Mr. Seto was appointed as an INED on 1 July 2019 and is a member of the Audit Committee. He is a director of Pacific Eagle Asset Management Limited. He is also an independent non-executive director of Kowloon Development Company Limited, Hop Hing Group Holdings Limited ("Hop Hing Group") and MS Group Holdings Limited (all companies are listed on the Stock Exchange). Mr. Seto ceased to act as the vice-chairman and was appointed as the chairman of the board of Hop Hing Group on 25 March 2016. He was an independent non-executive director of China Everbright Limited, a company listed on the Stock Exchange, from 23 April 2003 to 17 May 2018. Mr. Seto was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003 and was the chief executive officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was a council member of the Stock Exchange from 1994 to 2000 and was the first vice-chairman from 1997 to 2000. Mr. Seto holds a Master of Business Administration degree from New York University, USA and has over 40 years of experience in the securities and futures industry.

SENIOR MANAGEMENT

WONG CHIN YEE

General Manager (Age: 37)

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 9 years of experience of international development, sustainable development and urban planning. He resided and worked in the PRC, the Socialist Republic of Vietnam and USA prior to returning to Hong Kong. He is a son of Mr. Wong Tat Chang, Abraham, the Chairman of the Board and the Managing Director of the Company and an ED and a nephew of each of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both EDs.

HUI SUI YUEN

FCPA

Company Secretary and Financial Controller (Age: 40)

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 18 years' accounting and finance working experience.

ABOUT THIS REPORT

The board (the "Board") of directors (the "Directors") of Pokfulam Development Company Limited and its subsidiaries (the "Group") herein present the Environmental, Social and Governance ("ESG") Report (the "ESG Report" or the "Report") of 2018/2019. This ESG Report provides an annual update of sustainability performance in respect of the material businesses and operations of the Group. It has been updated to reflect the interest of various stakeholders.

APPROACH TO ESG AND REPORTING

The Group's ESG philosophy is to commit and practice the collective role as a responsible corporate citizen. While creating long-term values for its stakeholders that aligns with the growth and sustainability of its business and the environment it is in, the Group concerns the community around and aspires to give back to society in an effort to make the world a better place for future generations. In addition, the Group believes that transparency and accountability are important foundations for building trust with its stakeholders.

Therefore, the Board is committed to contributing to the sustainable development of the society and environment. Along with the commitment, the Board is responsible for evaluating and determining the risks in relation to ESG areas at the Group level. Through adjusting and defining risks, the Board is able to formulate a clear vision and key strategies and to monitor management to ensure that the proper ESG reporting measures and systems are in place.

SCOPE AND REPORTING PERIOD

This Report details the ESG performance of the Group for the period from 1 October 2018 to 30 September 2019 (the "Reporting Period"), including our property investment and management businesses. In respect of environmental and social policies, this Report covers the Headquarters Office in Wanchai and various properties in Hong Kong. As the Headquarters Office in Wanchai represents the Group's core organization for policy formulation and operation management, the KPIs or other statistical information contained herein will focus on the Headquarters Office.

The Group applied the concept of materiality in planning and developing the ESG Report – unless otherwise indicated, the Report covers Pokfulam Development Company Limited and its subsidiaries. The reporting scope of the Reporting Period is adjusted and could cover the Group's principal businesses, which provides the greatest potential for managing the environmental and social impacts of the operations in a holistic manner.

Property Name	Property Type
Wyler Centre Phase 2, 13/F	Industrial
Wyler Centre Phase 2, 14/F	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 the car port area	Residential
3-4 Headland Road	Residential

REPORTING PRINCIPLES

In this Report, the preparation and presentation of related information are in accordance with the guideline set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Guideline"). According to the Guideline, the following principles are underpinned:

1. **Materiality**: Environmental, social, and governance issues that have major impacts on investors and other stakeholders must be set out in this Report.

2. **Quantitative**: If key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.

3. **Balance**: This Report must provide an unbiased picture of the environmental, social, and governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.

4. **Consistency**: This Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

STAKEHOLDER ENGAGEMENT

As part of the business strategies, the Group engages its stakeholders from time to time through on-going communications and collects their views on the ESG aspects that they regard as relevant and important. The key stakeholders include employees, customers, and the holder of the Group's Share etc. The Group maintains an open and transparent dialogue with its stakeholders through various channels including sharing the Group's latest information on the Group's website, e-mails and meetings.

The Group also discloses its information regularly via announcements, notices, circulars and reports etc. Stakeholders may browse the Group's website at https://www.pokfulam.com.hk or contact the Group to obtain more information.

A. ENVIRONMENT

The Group acknowledges that global climate change is one of the most concerned environmental issues by the United Nations and the governments. The year-to-year increase in Greenhouse Gases ("GHG(s)") in the Earth is closely related to the recent extreme weathers, including heavy rains, floodings, droughts, heatwave, etc. Therefore, the Group considers the relevant environmental aspects in its operating activities, formulates effective measures for conserving energy and water, reduces waste generation and invests resources proactively to reduce the impact of its operations on the environment.

1. EMISSIONS

As the Group is principally engaged in property investment and management businesses, it does not emit significant discharges, for instance, nitrogen oxides, sulphur oxides and respirable suspended particulates into water, land and air. In addition, the Group does not produce a significant amount of hazardous and non-hazardous waste from its businesses.

The Group's environmental impacts mainly stem from the energy usage and related GHG emissions associated with the business operations. Also, the Group has an impact through its use of paper and non-hazardous waste generation. The Group strives to minimise impacts on the environment by reducing air and GHG emissions, waste and wastewater discharges.

(a) Greenhouse Gases Emissions

The major source of air and GHG emissions the Group associated with are the fuel consumptions for Group's vehicles and the purchased electricity used in daily office operations.

The total GHG generated by the Group during the Reporting Period was 16.70 tonnes of carbon dioxide equivalent (2017/18: 21.82 tonnes), with an intensity of 0.07 tonnes of carbon dioxide equivalent per working day (2017/18: 0.09 tonnes), comprising fuel consumptions and electricity consumption.

In addition, fuel consumptions are one of the sources of GHG emissions. In order to minimise air and GHG emissions, the Group established operational protocols to ensure the effective use of vehicles.

Type of Air Emissions	Emission Source	Emission (in kg)	
		2018/19	2017/18
SO_X		**0.03**	0.02
NO_X	Group vehicles	**0.94**	N/A
PM		**0.07**	N/A

Table 1 - Air Emissions during the Reporting Period

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO_2e)		Total Emission (in percentage)	
		2018/19	2017/18	**2018/19**	2017/18
Scope 1					
Direct Emission	Group vehicles	**5.75**	6.27	**34.4**	28.8
Scope 2					
Indirect Emission	Purchased electricity	**10.55**	15.54	**63.2**	71.2
Scope 3					
Other Indirect Emission	Disposal of paper waste	**0.40**	N/A	**2.4**	N/A
Total		**16.70**	21.81	**100%**	100%

Table 2 – Total Greenhouse Gas Emissions in the Reporting Period

In order to reduce carbon dioxide and other air emissions generated by electricity consumption, the Group advocates energy efficiency. Through below means, the Group enhanced electricity consumption, therefore, reduced GHG emissions:

- Giving priority to products with better energy-efficiency when replacing electrical equipment;
- Maintaining a room temperature of 25.5°C;
- Installing timing devices in some equipment for automatic shutdown during non-office hours to avoid unnecessary energy consumption;
- Putting up conspicuous signs by the switches of air conditioners;
- Reminding employees to close the doors and windows when turning on the air conditioners;
- Cleaning the air conditioners regularly to improve operational efficiency; and
- Using natural light as much as possible during daytime to reduce the use of lighting.

In addition to different means of reducing electricity consumption, the Group also works to reduce its carbon footprint by reducing business travels. The Group actively uses conference call system platforms and email discussions to replace unnecessary business travels.

(b) Waste Management

The Group upholds the principle of waste management and is committed to the proper handling and disposal of all wastes from business operations. Due to the business nature, the Group did not generate a significant amount of hazardous waste during the Reporting Period, while the major non-hazardous waste generated was paper, with a weight of 82.5 kilogram, equivalent to 0.34 kilogram per working day. In addition, the Group minimises the use of plastic products and recycles used materials in Group 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.

Non-hazardous Waste	Unit	Consumption Quantity		Intensity (Consumption/ Working day)	
		2018/19	2017/18	**2018/19**	2017/18
Paper	kilogram	**82.50**	N/A	**0.34**	N/A

Table 3 – Total Non-hazardous waste produced by the Group during the Reporting Period

2. USE OF RESOURCES

To effectively use resources, reduce wastage, and protect the ecological environment, the Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue our environmental commitment, we have implemented multiple measures in enhancing energy efficiency, minimizing the use of papers, reducing water consumption, encouraging replacing business travels with conference call system platforms, and driving behavioural changes of employees. Through active monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Our business does not involve packaging materials. Details of energy and water consumptions will be discussed in the following sections.

(a) Resources

During the Reporting Period, the resources we consumed directly for our operations are as follows:

Resources	Unit	Consumption Quantity		Intensity (Consumption/ Working day)	
		2018/19	2017/18	**2018/19**	2017/18
Water	m^3	**200.31**	121.39	**0.818**	0.24
Electricity	kWh in '000s	**13.19**	19.68	**0.054**	0.078

Table 4 – Total electricity usage by the Group during the Reporting Period

In order to minimize the disposal of wastes to the landfill. The Group adopts and promotes green practices as follows:

- Advocating double-side printing, recycling and reuse of office supplies and paper;
- Recycling and reusing printing and copying consumables;
- Separating waste and delivering it to environmental departments for handling;
- Use of reusable, bulk water coolers, cups, crockeries and utensils;
- Gather materials for reuse, recycling and/or proper disposal (e.g. aluminium cans, glass, plastic, paper, textiles, mooncake tins and electronic waste); and
- Use of environmental-responsible, liquid detergent, and refills and reuse empty bottles.

During the Reporting Period, the Group achieved results regarding saving paper: since the promotion of e-billing for tenants since April 2019, 80% of the tenants has adopted of e-billing. We will continue to improve and aim at implementing 100% e-billing.

(b) Water

The sustainable and responsible use of water resources is a key issue globally. The Group is aware that water scarcity, excessive demand and usage could pose a serious problem. Due to the business nature, the Group does not use nor discharge a significant amount of water.

In order to raise awareness of water conservation, the Group promotes water-saving practices in the workplace. For instance, the Group offers tips to conserve water and shares them internally.

(c) Compliance

The Group was not aware of any violations of 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) during the Reporting Period.

3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group quantifies impact levels of these significant aspects to the environment and natural resources and takes 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 on 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.

The Group shall continue to assess the environmental risks of the businesses, review the environmental practices and ensure compliance with relevant laws and regulations.

B. SOCIAL

The Group believes in a happy and motivated workforce is the driving factor for sustained success. Along with the commitment, the Group devoted substantial resources to maintain a robust employee policy system, which include compensation, dismissal, recruitment, promotion, working hours, rest periods and other benefits.

In addition, the Group is dedicated to cultivating a healthy and safe working culture, as well as investing in securing and nurturing talent through training and development programmes that help employees achieve their potential. To achieve this, the Group creates opportunities to attract, develop, retain and reward talented employees by offering them, under different conditions, commensurate remuneration, personal growth, career development training, as well as fringe benefits.

1. EMPLOYMENT AND LABOUR PRACTICES

The Group is committed to building a strong team of employees who share the business mission and objectives. As of 30 September 2019, the Group Headquarters Office employed 17 (2017/2018: 17) employees.

The employee compositions and turnover rate are illustrated as follows:

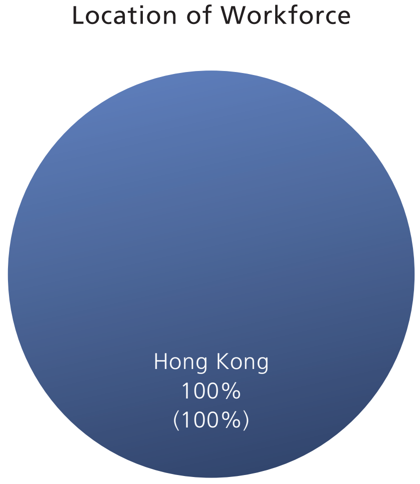


Chart 1 – Location of Workforce during the Reporting Period

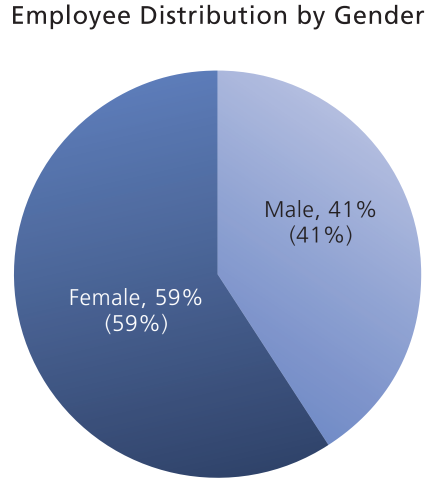


Chart 2 – Employee Gender Distribution during the Reporting Period

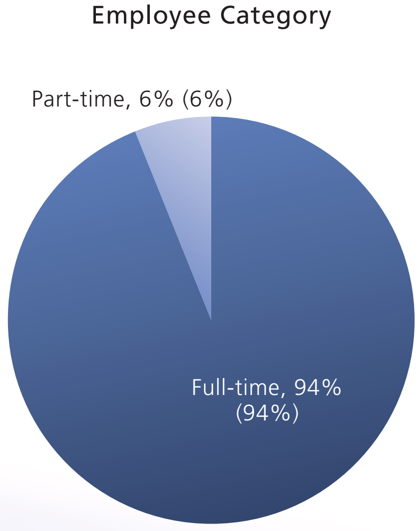


Chart 3 – Employee Category during the Reporting Period

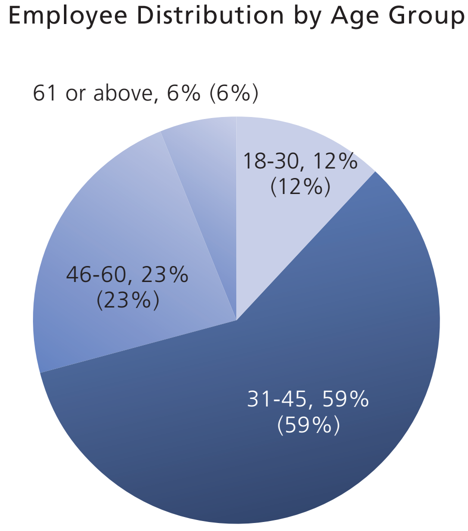


Chart 4 – Age Distribution of Employees during the Reporting Period

Note: (2017/18 figures)

Employee Turnover rate by categories	Percentage of total (%)	
	2018/19	2017/18
Gender		
Male	0	15.4
Female	0	0
Age Group		0
18 – 30	0	0
31 – 45	0	10.5
46 – 60	0	0
61 or above	0	0
Geographical Region		
Hong Kong	0	6.1

Table 5 – Employee Turnover rate by categories during the Reporting Period

(a) Remuneration

The Group recognises employees' contributions fairly and objectively by implementing equitable remuneration policies. As such, the Group developed a corresponding policy and included it in the employee handbook to incentivise employees. For instance, the policy covers recruitment, promotion, discipline, working hours, leaves and other benefits. The remuneration mechanisms are reviewed and re-adjusted regularly to remain competitive.

(b) Recruitment, Promotion and Dismissal

The Group is committed to adopting a fair recruitment and promotion policy that prohibits damage to equal employment opportunity or unfair treatment. As such, the Group strictly enforce an anti-discrimination policy and have zero tolerance for harassment in any form. All employees, irrespective of race, gender, religious belief, social origin or identity, geographic location, age, physical condition and marital status, receive equal opportunities.

(c) Compliance

During the Reporting Period, the Group did not receive any case of violation of the relevant employment laws and regulations including the Employment Ordinance (Cap. 57), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487). In addition, as of the end of the Reporting Period, the Group is engaged in a lawsuit regarding employee compensation.

2. HEALTH AND SAFETY

The Group strives to foster a safe working environment where all individuals are supported to succeed and can develop to their fullest potential. Further, the Group strictly 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.

(a) Health and Safety Management

Along with the commitment, the Group provides 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 regularly.

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 communicate occupational safety and health information. As a result, we have achieved excellent result in occupational safety and health aspect.

Given the principal businesses of the Group, it does not involve substantial safety hazards within the workplace. Moreover, the Group reviews the health and safety policies and practices regularly. Any updates on the policies and practices are circulated to employees.

Work Injury Statistics	Percentage of total (%)	
	2018/19	2017/18
Work-related fatalities		
Number of cases	**0**	0
Work-related injuries		
Lost man-days	**0**	0

Table 6 – Work Injury Statistics during the Reporting Period

(b) Compliance

The Group did not identify any casualties or accidents in relation to workplace health and safety during the Reporting Period. In addition, the Group also complied with all Hong Kong legislation in occupational safety and health such as CAP 509 Occupational Safety and Health Ordinance and related regulations.

3. DEVELOPMENT AND TRAINING

The Group is convinced that it is key for an enterprise's sustainable development to discover talents and cultivate talent teams.

Apart from identifying and retaining the best talents, the Group offers employees opportunities to develop their knowledge and skills in personal, as well as professional training, through on-the-job training, seminars, workshops, site visits and formal training programmes. In addition, the Group established the Group's Further Studies Fund to subsidise employees' education.

Percentages of employees completing training by employee category are as follows:

Training rates of employees by categories	Percentage of total (%)	
	2018/19	2017/18
Gender		
Male	**14.3**	14.3
Female	**20.0**	10.0
Employee category		
Senior management	**25.0**	25.0
Middle management	**0**	0
Junior levels	**33.3**	14.3

Table 7 – Training Received by Employee Category during the Reporting Period

4. LABOUR STANDARDS

The Group's labour standards primarily focus on conformity with local labour laws and regulations. At all levels, child and forced labour are prohibited in the Group. The Group established a strict recruitment policy, of which only applicants meeting the age requirement are employed. Further, labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking are strictly forbidden. Employees will not be forced to work overtime and may apply for flexible working hours depending on the work situation.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period.

5. SUPPLY CHAIN MANAGEMENT

The Group adheres to communication, cooperation and joint growth in its supplier management policy. The supply chain of the Group comprises a variety of contractors and suppliers. Through maintaining close communications, the Group achieves strengthened cooperation with suppliers and therefore, enhances their capability to supply environmentally friendly products.

To achieve the sustainability goal of establishing an efficient and green supply chain with suppliers and service providers, the Group developed the operation protocol for contractors and suppliers. For instance, noisy work is not allowed on public holidays. In order to protect 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.

In addition, the Group conducts periodic reviews on the performance of suppliers and service providers and engaging them with various channel. For instance, face-to-face meetings, site visits, phone conferences and e-mail.

Number of Contractors and Suppliers (As at 30 September 2019)

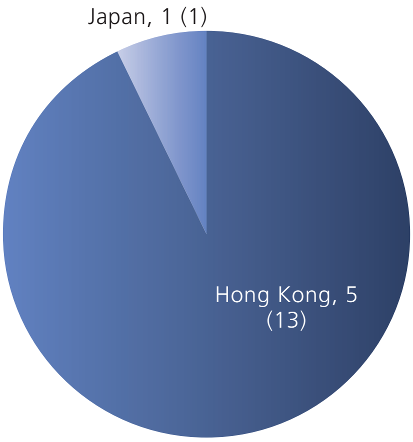


Chart 5 – Employee Gender Distribution during the Reporting Period

Note: (2017/18 figures)

6. PRODUCT/SERVICE RESPONSIBILITY

The Group pays attention to the tenants and customers properties. Along with the commitment, the Group also aims at providing high value-added services as below:

- 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 an actual understanding of the facilities and existing interior condition to avoid any dispute in the future.
- Only a 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 Group'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.

Complain and recalls received	Percentage of total (%)	
	2018/19	2017/18
Total works completed subjected to recalls for safety and health reasons	**0**	0
Number of works and service related complaints received at corporate level	**0**	0

Table 8 – Complain and recalls received during the Reporting Period

(a) Quality and Compliance Control Flow

The Group established a quality and compliance control flow which is committed to providing excellent services to clients:

- 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 Group's satisfaction.

(b) Customer and Tenant Complaints

The Group values feedback or complaints from our stakeholders to continuously improve the services. To achieve that, the Group adopted the "Upkeep" complain management tool which allows timely handling of enquires and complaints. Further, for IT security, the Group established a comprehensive complaint handling procedure and ensure all employees follow the protocol.

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.

(c) Customer information protection and privacy policy

The Group has established stringent standards and requirements for talents' and customers' information management. By standardizing the collection, possession, usage and processing of such information, talents' and customers' information would be handled in a legal, prudent and confidential manner to ensure customer information security. Before collecting customers' information, we would clearly explain the aim and purpose of such collection to our customers.

To better protect customers' information, the Group has established control over handling private information. For instance, 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 software are acquired from the official vendors.

(d) Compliance

During the Reporting Period, there was no incident of non-compliance with laws and regulations concerning advertising, labelling and privacy matters, such as CAP 486 Personal Data (Privacy) Ordinance, relating to works and services provided and methods of redress.

7. ANTI-CORRUPTION

Honesty, integrity and fair play are important assets in the Group's business. The Group has zero-tolerance for bribery, extortion, fraud and money laundering. Anti-bribery and anti-corruption standards have been incorporated in the Group's internal policies and operating practices and these are communicated to employees as well as external stakeholders.

(a) Anti-corruption measures

The Group has developed a code of practice for its employees, including disciplines and regulations on financial management, operation management, procurement of goods, hand-in of gifts and personnel management, and cautioned the employees to deal with potential misconduct with prudence.

As such, 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.

At the employee level, they are required 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 Group may have dealings. We also have our code of business conduct binding on all employees to avoid any impropriety.

(b) Whistle-blowing policy

The Group has set up whistle-blowing procedures apply to all parties including internal as well as external informers. Any complaints or a 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.

(c) Compliance

During the Reporting Period, 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.

8. COMMUNITY INVESTMENT

The Group believes that running a successful business is about achieving economic viability and fulfilling social responsibility. The Group, therefore, encourages employees to participate in volunteer work, nurturing a culture of care and mutual support.

(a) Green culture

To support the building of green culture in the community, we have participated in activities organised by World-Wide-Fund (WWF). For instance, in September 2019, the Group participated the Coral Community Research Activity which extended the awareness of environmental preservation. In order to further protect the natural environment of Hong Kong, the Group donated HKD50,000 to WWF during the Reporting Period.

(b) Helping the beneficiaries

The Group participated the “World heart day” which raised awareness of heart diseases. The 4-hour walk joined by the employees has raised HKD10,000 donation to the organization.

The Group will continue to regularly review and supervise its objectives for community investment, sponsorship and donation activities, as well as the relevant approval policies.

OUTLOOK

The Group believes that the implementation of current measures on environmental protection and social responsibility is sufficient for compliance with relevant laws and regulations. Yet the Group will continue to review from time to time in response to the latest relevant requirements to strengthen its measures on environmental protection and social responsibility.

CORPORATE GOVERNANCE REPORT

The board of directors of Pokfulam Development Company Limited (the "Company", the "Directors" and the "Board", respectively) is pleased to present this Corporate Governance Report for the year ended 30 September 2019 (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") and the confidence of the investors.

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 done in compliance 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.

All 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 the Shareholders at all times.

The day-to-day management, administration and operations of the Company are delegated to the managing director of the Company (the "Managing Director") (who is also the chief executive within the meaning of the Listing Rules) and the senior management of the Company (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.

THE BOARD (CONTINUED)

Responsibilities (Continued)

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 seven members, namely three executive Directors (the "EDs") and four independent non-executive Directors (the "INEDs"). The number of INEDs represents more than half 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") *(ceased to be a member of Audit Committee on 18 November 2019)*
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)*
Mr. Seto Gin Chung, John ("Mr. Seto") *(appointed as a member of Audit Committee on 18 November 2019)*

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 to 10 of this annual report.

THE BOARD (CONTINUED)

Board Composition (Continued)

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 of the Board (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 (the "Board Diversity Policy") in accordance with the requirement set out in Code Provision A.5.5 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 gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service 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 contribution that the selected candidates will bring to the Board.

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 Nomination Committee and the Board's audit committee (the "Audit Committee") as well as remuneration committee (the "Remuneration Committee") and provision of appropriate advice to 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 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 Nomination Committee ensures that the Board comprises members with a balance of gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service, independence 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 to the nomination policy adopted by the Company (the "Nomination Policy") and the Board Diversity Policy and assess the independence of the proposed INEDs as appropriate before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

THE BOARD (CONTINUED)

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

Where a vacancy on the Board exists as a result of filling a causal vacancy or appointing an additional Director, the Board will carry out the selection process, with the advice provided by the Nomination Committee, by making reference to the selection criteria stated in the Nomination Policy, 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 article 124 of 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. As Mr. Seto was appointed as an additional INED on 1 July 2019, he will hold office until the conclusion of the forthcoming AGM and, being eligible, offer himself for re-election.

In accordance with article 119 of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third), including those appointed for a specific term or holding office as Chairman or Managing Director, shall retire from office by rotation at least once every three years. Accordingly, Mr. David Wong and Mdm. Lam shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM. Pursuant to Code Provision A.4.3 of the Code, the re-election of Mdm. Lam will be subject to a separate resolution to be approved by the Shareholders at the forthcoming AGM as she has served on the Board for more than 9 years.

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

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.

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 2019 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 records for the Director's training. 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
Mr. Seto (appointed on 1 July 2019)	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

Code Provision A.6.1 of the Code stipulates that, amongst others, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment.

During the Year, the Company appointed Mr. Seto on 1 July 2019 as our new Director. An induction program of briefing the Group's operations and businesses, and his responsibilities under the Listing Rules and other regulatory requirements has been provided to Mr. Seto.

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 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Although Mr. 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 more than half of the Board members are 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.

Draft minutes of the Board committee meetings are circulated to the respective members of the Board committee concerned for comments and the signed minutes are kept by the Company Secretary.

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 the Senior Management 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 the Senior Management.

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for all Directors and the Senior Management, which policy and structure 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 remuneration proposals of the Company's management (the "Management") by reference to the Board's corporate goals and objectives.

- To review and recommend to the Board the remuneration packages of all Directors and the Senior Management 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 the Senior Management.

The Remuneration Committee met once during the Year and reviewed the remuneration policy and structure of the Company and the remuneration packages of all Directors and the Senior Management for the Year. The Remuneration Committee passed a written resolution to recommend the remuneration package of Mr. Seto on 28 June 2019.

Audit Committee

The Audit Committee comprises three members, namely Mr. Li (chairman), Mr. Sit and Mr. Seto. 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 external auditors, their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
- To develop and implement a policy on engaging an external auditor to supply non-audit services.
- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group (the "Employees' Arrangements"), and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held two meetings during the Year to review the interim and annual financial results and reports, financial reporting and compliance procedures, financial control system, internal control system, risk management system, the adequacy of resources, accounting staff'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 met the external auditor twice during the year 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 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.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

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 Nomination Policy.
- To review the structure, size and composition (including the gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service 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 Board Diversity Policy, as appropriate, and the measurable objectives that the Board has set for implementing such Policy, and the progress of achieving the objectives and make recommendations to the Board on any proposed change to the same and to exercise such other powers and authorities, and to perform such other duties, as set out in the Board Diversity Policy or delegated by the Board from time to time.

The Nomination Committee comprises one ED 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 three times 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 2018 (the "2018 AGM"), determined the Nomination Policy and made recommendations to the Board on the appointment of Mr. Seto as an INED.

BOARD COMMITTEES (CONTINUED)

Number of Meetings and Directors' Attendance

Code Provision A.1.1 of the Code 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, approved the annual and interim results of the Group and approved the appointment of an additional Director.

During the Year, the attendance records of the Directors at the respective meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and the 2018 AGM are set out below:

	Attendance/Number of Meetings Entitled to Attend				
Name of Directors	Regular Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Nomination Committee Meeting	2018 AGM *note*
EDs					
Mr. Abraham Wong *(Chairman, Managing Director, chairman of Nomination Committee and member of Remuneration Committee)*	4/4	1/1	N/A	3/3	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 *(ceased to be a member of Audit Committee on 18 November 2019)*	3/4	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	3/3	0/1
Mr. Sit *(chairman of Remuneration Committee and members of Audit Committee and Nomination Committee)*	4/4	1/1	2/2	3/3	1/1
Mr. Seto *(appointed on 1 July 2019 and appointed as a member of Audit Committee on 18 November 2019)*	1/1	N/A	N/A	N/A	N/A

Note:

Besides the 2018 AGM held on 27 December 2018, no other general meeting of the Company 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 the Senior Management whenever necessary.

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

Senior Management members are invited to attend Board and Board committees 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 committees meetings. Minutes of meetings of the Board and the Board committees record in reasonable 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 to 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 the Directors, all the Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout the Year and the period thereafter up to the date of this annual report.

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 with the assistance of the finance department of the Group.

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 explanations 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 58 to 62 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 11 to the Consolidated Financial Statements.

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

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 Limited, the Company's external auditor, in respect of the Year are set out below:

Category of Services	Fee paid/payable
	HK$'000
Audit services	587
Non-audit services	
– Interim review	108
– Tax compliance	48
– Retirement scheme review	4
	747

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 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. Likewise, the Chairman and other Directors will do so at other general meetings of the Company.

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 2018 AGM was held on 27 December 2018. The notice of 2018 AGM (the "Notice") was sent to the Shareholders at least 20 clear business days before the 2018 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 2018 AGM to answer the Shareholders' questions. All the proposed resolutions set out in the Notice were passed by the Shareholders present at the 2018 AGM.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

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 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 the 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 the Senior Management, policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code, the Employees Written Guidelines and the Code as well as 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.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). Pursuant to the Dividend Policy, in considering the declaration and payment of dividends, the Board will take into account, amongst other matters:

(a) the Group's business strategies, business cycle, operations, earnings, financial condition, cash requirements and availability as well as capital expenditure and future development requirements and the dividend received by the Company from its subsidiaries;

(b) the possible effects of the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(c) the interests of the Shareholders and the taxation consideration;

(d) the general economic and political conditions and other internal and external factors that may have an impact on the business and financial performance of the Group;

(e) any restrictions under all applicable laws, the Listing Rules, the Corporate Governance Codes and regulations, the Hong Kong Financial Reporting Standards that the Group has adopted as well as the Articles of Association; and

(f) other factors that the Board may consider relevant.

Depending on the conditions and factors as set out above, the Board may propose, recommend and/or declare dividends with respect to the Company's ordinary shares in issue on a per share basis for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profit that the Board may consider appropriate. Dividends must be paid out of the distributable reserve of the Company and the payment of any final dividend for a financial year will be subject to the Shareholders' approval. Dividend may be paid up in the form of cash or scrip or by distribution in any form. Any dividend unclaimed will be forfeited and will revert to the Company in accordance with the Articles of Association.

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 2019 (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 63 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 Thursday, 9 January 2020.

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 to achieve 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 faced by 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 of 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 its 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 and its 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/her 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 of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively) and the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules 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 faced by 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 of the Group (the "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.

As at the date of this report, Hong Kong's general economy is struggling with political protests in Hong Kong. The impact on tourism and the general market environment brings about uncertainties on the financial performance of our properties. We will continue to closely monitor the situation and make feasible strategies and business decisions depending on situation.

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 customers' feedbacks. 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 2019 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 2019 were HK$5,536.2 million (2018: HK$5,440.5 million).

As at 30 September 2019, the Group's total bank balances and cash amounted to HK$186.0 million (2018: HK$247.6 million), of which over 56% (2018: 93%) was denominated in Hong Kong dollars ("HK$"), 30% (2018:1%) was denominated in US$ and 13% (2018: 6%) was denominated in Renminbi. As at 30 September 2019, the Group's debt securities investments of HK$37.7 million (2018: HK$7.7 million) was denominated in US$. 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 HK$ is pegged to US$.

As at 30 September 2019, the Group's total borrowings, which was denominated in HK$, was HK$55.0 million (2018: 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:

	2019	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	**–**	–
After five years	**–**	–
	55.0	40.0

The Group's bank loan of HK$15.0 million is a 1-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 30 September 2019 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 2019, the Group had undrawn banking facilities of HK$436.0 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 2019, the debt to equity ratio, based on the Group's total borrowings of HK$55.0 million and the Shareholders' funds of HK$5,536.2 million, was 1.0%, as compared with 0.7% as at 30 September 2018.

As at 30 September 2019, investment properties and properties for own use of the Group with an aggregate carrying value of HK$4,906.0 million and HK$2.3 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 2019, 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 2019, the Group had 104 (2018: 106) employees. The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK$24.8 million (2018: HK$22.8 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 65 of this annual report and in note 25 to the Consolidated Financial Statements, respectively.

As at 30 September 2019, the Company's reserves available for distribution to the Shareholders represented the retained profits of HK$921.0 million (2018: HK$887.2 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 2019 are set out on pages 163 to 164 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 short-term secured bank loans are shown in note 23 to the Consolidated Financial Statements.

There was no interest capitalised during the Year by the Group (2018: 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 162 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers of the Group accounted for less than 18% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 71% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 47%.

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 (the "EDs")

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")
Mr. Seto Gin Chung, John ("Mr. Seto") (appointed on 1 July 2019)

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

In accordance with article 124 of the Articles of Association, Mr. Seto will hold office until the forthcoming AGM and, being eligible, offer himself 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, all INEDs 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 board of directors of the Company (the "Board") has assessed and is satisfied with the independence of Mdm. Lam, Mr. Li, Mr. Sit and Mr. Seto. Hence, 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 proposed re-election of each of Mdm. Lam and Mr. Seto as INEDs was made in accordance with the nomination policy of the Company and took into account a wide range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services, with due regard of the benefits of diversity as set out under the board diversity policy of the Company.

In addition, the Board had evaluated the performance of each of Mdm. Lam and Mr. Seto and is of the view that each of Mdm. Lam and Mr. Seto has provided valuable contributions to the Company and has demonstrated his/her abilities to provide independent, balanced and objective view to the Company's affairs. The Board is also of the view that each of Mdm. Lam and Mr. Seto would bring to the Board his/her own perspective, skills and experience, as further described in the respective biographies as set out on pages 8 to 10 of this annual report, and can contribute to the diversity of the Board taking into account their diversified educational background and professional experience. The Board believes that their re-election as INEDs of the Company would be in the best interests of the Company and its Shareholders as a whole.

The biographical details of the Directors and senior management are set out on pages 8 to 10 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 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 SFO), which were required to be: (a) 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, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange, were as follows:

(a) Long position interests in the shares of the Company (the "Shares")

	Number of ordinary shares held				
Name of Directors/ Chief executive	Personal interests	Family interests	Other interests	Total	Approximate percentage of the Company's issued Shares*
		(note 1)	*(note 2)*		
Mr. Abraham Wong	450,800	–	80,633,866	81,084,666	73.6%
Mr. David Wong	–	–	80,633,866	80,633,866	73.2%
Mr. 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 in the shares of Elephant Holdings Limited ("EHL"), a subsidiary of the Company

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

Notes:

(1) Mr. Samuel Wong, an ED, is deemed to be interested in 28,800 ordinary 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 EDs.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 110,179,385 as at 30 September 2019.

Save as disclosed above, as at 30 September 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 to be: (a) 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, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

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

As at 30 September 2019, 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

On 18 November 2019, the Company and B.L. Wong (Holdings) Co. Limited ("BL Wong"), which is equally owned by each of the three EDs in equal shares, entered into an agreement, pursuant to which the Company agreed to purchase, and BL Wong agreed to sell, 4,784 shares of EHL, a subsidiary of the Company, representing 47.84% of the entire share capital of EHL, at a total consideration of HK$15,424,000 (the "Acquisition"). BL Wong is a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios are more than 5% but less than 25% as defined in the Listing Rules, the Acquisition constitutes a discloseable and connected transaction of the Company and is subject to the report, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Directors view that the acquisition is in line with the long term business strategy of the Group and will strengthen the Group's position in the industry of trading of visual and sound equipment. Upon Completion, controlling interest of the Company in EHL will further increase, enabling the Company to consolidate its control in EHL, develop the business of the Target Group and create synergy effect with the existing business of the Group.

Save as disclosed above, 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 Chapters 14 and 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 AGM pursuant to the Articles of Association.

No Director proposed for re-election at the forthcoming AGM 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 and Mr. Seto 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 and Mr. Seto were 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 THE COMPANY'S LISTED SECURITIES

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$818,000 (2018: HK$727,000).

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.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in this report, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this 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 27 to 43 of this annual report.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board (the "Audit Committee") comprises three INEDs. 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 Board confirms that 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 as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Tuesday, 31 December 2019. For determining the Shareholders' entitlement to attend and vote at the forthcoming AGM, the register of members of Company (the "Register of Members") will be closed from Tuesday, 24 December 2019 to Tuesday, 31 December 2019 (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 AGM, non-registered Shareholders must lodge all completed transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 23 December 2019.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND (THE "PROPOSED FINAL DIVIDEND")

The Proposed Final Dividend is subject to the approval by the Shareholders at the forthcoming AGM. For determining the Shareholders' entitlement to the Proposed Final Dividend, the Register of Members will be closed from Tuesday, 7 January 2020 to Thursday, 9 January 2020 (both days inclusive), during which period no transfer of the Shares will be registered. In order to qualify for the Proposed Final Dividend, non-registered Shareholders must lodge all completed transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 January 2020.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$60,000.

INDEPENDENT AUDITOR

BDO Limited ("BDO"), who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint BDO as the independent auditor of the Company.

By Order of the Board

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 18 November 2019

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

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 63 to 161, which comprise the consolidated statement of financial position as at 30 September 2019, 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 2019, 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(c) for 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$5,213,818,000 as at 30 September 2019, with a fair value gain of approximately HK$65,885,000 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 major 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 prepared by the management's expert.

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

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

The directors 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.

- 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
Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong, 18 November 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	139,223	135,535
Cost of goods sold		(18,206)	(19,100)
Cost of rental and other operations		(34,757)	(36,732)
		86,260	79,703
Other income and gains		26,429	26,990
Other expense and losses		(6,006)	(7,498)
Selling and marketing expenses		(930)	(1,292)
Administrative expenses		(16,712)	(13,791)
Finance costs	6	(1,912)	(1,339)
Profit before changes in fair value of financial assets at fair value through profit or loss/investments held for trading and investment properties		87,129	82,773
Decrease in fair value of financial assets at fair value through profit or loss/investments held for trading		(4,850)	(8,926)
Increase in fair value of investment properties	13	65,885	420,936
		148,164	494,783
Share of losses of joint ventures		(3,386)	(5,833)
Profit before income tax	7	144,778	488,950
Income tax expense	8	(8,627)	(8,942)
Profit for the year		136,151	480,008
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value on equity instrument designated at fair value through other comprehensive income, net of tax		(38,500)	–
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/ available-for-sale investments		1,294	(234)
Exchange difference arising on translation of financial statements of foreign operations		(1,769)	(2,747)
Exchange loss arising from long term advances to a joint venture		(2,262)	(109)
Other comprehensive income for the year, net of tax		(41,237)	(3,090)
Total comprehensive income for the year		94,914	476,918
Profit/(loss) for the year attributable to:			
Owners of the Company		136,847	480,770
Non-controlling interests		(696)	(762)
		136,151	480,008
Total comprehensive income for the year attributable to:			
Owners of the Company		95,610	477,680
Non-controlling interests		(696)	(762)
		94,914	476,918
		HK$	HK$
Earnings per share - basic	10	1.24	4.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Investment properties	13	5,213,818	5,087,890
Property, plant and equipment	14	4,414	4,266
Interests in joint ventures	15	20,744	20,787
Amount due from a joint venture	15	113,352	130,590
Deposits and prepayments		4,098	4,992
Available-for-sale investments	16(A)	–	15,691
Debt instruments at fair value through other comprehensive income	16(B)	37,720	–
Financial assets at fair value through profit or loss	18(A)	38,344	–
Equity instrument designated at fair value through other comprehensive income	16(B)	26,200	–
		5,458,690	5,264,216
Current Assets			
Inventories	17	11,822	10,100
Investments held for trading	18(B)	–	34,911
Financial assets at fair value through profit or loss	18(A)	26,502	–
Loan to a joint venture	15	5,534	14,132
Trade and other receivables	19	8,259	8,795
Deposits and prepayments		8,737	8,877
Bank balances and cash	20	185,992	247,630
		246,846	324,445
Current Liabilities			
Trade and other payables	21	33,822	26,690
Rental and management fee deposits		25,043	24,015
Provision for taxation		6,934	9,776
Bank loans, secured	23	55,000	40,000
		120,799	100,481
Net Current Assets		126,047	223,964
Total Assets less Current Liabilities		5,584,737	5,488,180
Capital and Reserves			
Share capital	22	146,134	146,134
Reserves		5,390,101	5,294,340
Equity attributable to owners of the Company		5,536,235	5,440,474
Non-controlling interests		6,091	6,787
Total Equity		5,542,326	5,447,261
Non-current Liability			
Deferred taxation	24	42,411	40,919
		5,584,737	5,488,180

The consolidated financial statements on pages 63 to 161 were approved and authorised for issue by the Board of Directors on 18 November 2019 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 2019

	Attributable to the owners of the Company							
	Share capital	Translation reserve*	Investment revaluation reserves* (recycling)	Investment revaluation reserves* (non-recycling)	Retained profits*	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2017	146,134	8,364	–	–	4,845,757	5,000,255	7,549	5,007,804
Profit/(loss) 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 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 (originally stated)	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 2.1)*	–	–	–	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 year	–	–	–	–	**136,847**	**136,847**	**(696)**	**136,151**
Other comprehensive income for the year:								
Change in fair value on:								
– Debt instruments at fair value through other comprehensive income	–	–	**1,294**	–	–	**1,294**	–	**1,294**
– Equity instrument designated at fair value through other comprehensive income	–	–	–	**(38,500)**	–	**(38,500)**	–	**(38,500)**
Exchange difference arising on translation of foreign operations	–	**(1,769)**	–	–	–	**(1,769)**	–	**(1,769)**
Exchange loss arising from long term advances to a joint venture	–	**(2,262)**	–	–	–	**(2,262)**	–	**(2,262)**
Total comprehensive income for the year	–	**(4,031)**	**1,294**	**(38,500)**	**136,847**	**95,610**	**(696)**	**94,914**
Final dividend for 2018 paid *(note 9)*	–	–	–	–	**(37,461)**	**(37,461)**	–	**(37,461)**
Interim dividend for 2019 paid *(note 9)*	–	–	–	–	**(4,407)**	**(4,407)**	–	**(4,407)**
At 30 September 2019	**146,134**	**1,477**	**1,060**	**18,200**	**5,369,364**	**5,536,235**	**6,091**	**5,542,326**

* These reserve accounts comprise the consolidated reserves of approximately HK$5,390,101,000 in the consolidated statement of financial position as at 30 September 2019 (2018: HK$5,294,340,000)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Operating activities			
Profit before income tax		144,778	488,950
Adjustments for:			
Increase in fair value of investment properties	13	(65,885)	(420,936)
Decrease in fair value of financial assets at fair value through profit or loss/investments held for trading		4,850	8,926
Written off/loss on disposal of property, plant and equipment	7	79	8
Depreciation on property, plant and equipment	7	956	862
Dividend income from equity instrument designated at fair value through other comprehensive income/ available-for-sale investments	7	(13,367)	(13,333)
Imputed interest income on amount due from a joint venture	7	(6,692)	(6,618)
Interest income		(5,551)	(4,626)
Dividend income from financial assets at fair value through profit or loss/investments held for trading		(2,008)	(2,401)
Finance costs		1,912	1,339
Share of losses of joint ventures		3,386	5,833
Operating cash flows before working capital changes		62,458	58,004
Increase in inventories		(1,722)	(4,685)
Increase in investments held for trading		–	(23)
Increase in trade and other receivables, deposits and prepayments		(32)	(686)
Increase in trade and other payables		8,545	4,639
Cash generated from operations		69,249	57,249
Interest received		3,819	2,697
Dividend received		2,008	2,401
Income Tax paid		(9,977)	(10,006)
Net cash from operating activities		65,099	52,341

	2019	2018
	HK$'000	*HK$'000*
Investing activities		
Purchase of property, plant and equipment	(1,183)	(344)
Proceeds on disposal of property, plant and equipment	–	9
Addition of investment properties	(59,534)	(18,024)
Investment in a listed debt securities investment classified as debt instruments at fair value through other comprehensive income/available-for-sale investments	(28,738)	(7,868)
Dividend received from equity instrument designated at fair value through other comprehensive income/ available-for-sale investments	13,367	13,333
Investment in a financial asset at fair value through profit or loss	(34,785)	–
Investment in a joint venture	–	(1,500)
Repayment from joint ventures	13,594	3,656
Net cash used in investing activities	(97,279)	(10,738)
Financing activities		
Bank loans raised	30,000	–
Repayment of bank loan	(15,000)	–
Dividends paid	(41,868)	(37,461)
Interest paid	(1,912)	(1,339)
Net cash used in financing activities	(28,780)	(38,800)
Net (decrease)/increase in cash and cash equivalents	(60,960)	2,803
Cash and cash equivalents at the beginning of the financial year	247,630	245,093
Effect of foreign exchange rate changes	(678)	(266)
Cash and cash equivalents at the end of the financial year	185,992	247,630
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	185,992	247,630

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 new standards, amendments and interpretations ("the new 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 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

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.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 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 from 1 October 2018 has resulted in changes in accounting policies of the Group to the amount recognised in the consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. However, it supersedes HKAS 39's categories of held to maturity investment, loans and receivables and available-for-sale financial assets. 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), the Group 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 ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL. 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.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

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

A financial asset is measured at amortised cost only if both of the following conditions are met 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 to achieved by both collecting contractual cash flows and selling 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 financial asset 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.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (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 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 subsequently measured at fair value. Change in fair value, dividends and interest income are recognised in profit or loss.

Financial assets at FVOCI (debt instruments)

Subsequent changes in the carrying amount 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 amount 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 OCI are reclassified to profit or loss.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

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

Financial assets at 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 subtotals 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 ECLs	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%.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

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

Financial assets at FVOCI (equity 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 financial assets at cost to FVOCI. The unlisted equity investment has no quoted price in an active market. The Group intends to hold the unlisted equity investment of HK$8,000,000 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) Listed debt securities investment was reclassified from available-for-sale financial assets at fair value to financial assets at 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 profits 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

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

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

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.

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, bank balances 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 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

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model".

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

2.1 Adoption of new or revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and debt investments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the Group considered the effect of impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement and recognition of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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 other financial assets, the Group measures the loss allowance equal to 12-months ECLs, unless when there has been a significant increase in credit risk since initial recognition, the allowance will be based on lifetime ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of default occurring since initial recognition.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

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 end of the reporting period 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.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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.

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

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

(b) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost of the Group includes other loans and receivables, loan to a joint venture and amount due from a joint venture. The Group applies the 3-stage approach (i.e. the general approach as detailed in Note 5(a)(ii)) to measure ECLs.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 October 2018:

	Impairment allowance under HKAS 39	Additional ECL recognised at 1 October 2018	Impairment allowance under HKFRS 9
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables	–	1,060	1,060
Amount due from a joint venture	–	12,291	12,291
Loan to a joint venture	–	1,330	1,330
Total	–	14,681	14,681

Except for the above, the Group applies the 12-month ECLs for deposits and bank balances. No impairment for these financial assets at amortised cost as at 1 October 2018 and during the year ended 30 September 2019 is recognised as the amount of impairment measured under the ECLs model is not significant.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 30 September 2018, but are recognised in the consolidated statement of financial position on 1 October 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profit and reserves as at 1 October 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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. 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, excluding those amount collect on behalf of third parties.

Timing of revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– do 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 control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Timing of revenue recognition (Continued)

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies on the following 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.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (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, a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

Under HKAS 18, the Group recorded the receipts in advance from trading of visual and sound equipment under "trade and other payables".

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 and other payables" as at 1 October 2018.

Transition

By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparative figures have not been restated by the Group. Except for the change in presentation of contract assets and liabilities, the adoption of HKFRS 15 does not have any material impact on the financial position and there is no transitional impact to retained profit.

Amendments 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 adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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

2.1 Adoption of new/revised HKFRSs for the current year (Continued)

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.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

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 or 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, expense 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.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

The following new or 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.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or a after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2022.
4 No mandatory date yet determined but available for adoption.

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single, on-balance sheet, accounting model for leases 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 consolidated 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.

Given the Group have no operating lease as a lessee, the Group considered that it is unlikely to have a financial impact on the consolidated financial statement of the Group upon the adoption of HKFRS 16.

HKFRS 17 – Insurance Contracts

HKFRS 17, which upon the effective date will supersede HKFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

HKFRS 17 – Insurance Contracts (Continued)

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

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

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

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 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

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 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Save as disclosed in the foregoing paragraphs about the impact of HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards, amendments and interpretations, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint ventures (Continued)

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint ventures (Continued)

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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%

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

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.

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 (accounting policies applied from 1 October 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied from 1 October 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured 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.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied from 1 October 2018) (Continued)

(i) Financial assets (Continued)

Equity instruments

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 OCI. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are 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 other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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 other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied from 1 October 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired 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.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied from 1 October 2018) (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Financial Instruments (accounting policies applied until 30 September 2018)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied until 30 September 2018) (Continued)

(i) 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.

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 32(c).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied until 30 September 2018) (Continued)

(i) Financial assets (Continued)

AFS financial assets

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (accounting policies applied until 30 September 2018) (Continued)

(i) Financial assets (Continued)

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 (accounting policies applied until 30 September 2018) (Continued)

(i) 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.

(ii) 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 (accounting policies applied until 30 September 2018) (Continued)

(ii) 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.

(iii) 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 (accounting policies applied from 1 October 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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 control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (accounting policies applied from 1 October 2018) (Continued)

(i) Sales of visual and sound equipment

Customers obtain control of the goods when the visual and sound equipment is delivered to and has been accepted. Revenue is thus recognised upon when the customers accepted the visual and sound equipment. There is generally only one performance obligation. Invoices are usually payable within 30 days. Customers are normally required to pay deposit in advance. The advances received is recognised as contract liabilities.

Warranty is generally offered to customers in accordance with agreed-upon specification with the customers to maintain the specified performance as stated in the original contracts, therefore it is considered that the warranty is an assurance-type.

(ii) Rental income

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

(iii) Building management fees income

Building management fees income is recognised over the period when services are provided.

(iv) Dividend income

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

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (accounting policies applied from 1 October 2018) (Continued)

(vi) Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

(vii) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (accounting policies applied until 30 September 2018)

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);
- Financial assets at fair value through other comprehensive income/available-for-sale investments (notes 16(A) and 16(B)); and
- Financial assets at fair value through profit or loss/investments held for trading (notes 18(A) and 18(B)).

(c) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 September 2019 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 2019 is approximately HK$5,213,818,000 (2018: HK$5,087,890,000).

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

(d) Provision for ECLs on trade receivables, other loans and receivables

The Group's management determines the provision for impairment of receivables on a forward-looking basis. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of debtors, actual or expected significant adverse changes in business and debtors' financial position.

At each reporting date, the historical observed default rates would be reassessed and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL and the Group's trade receivables and other loans and receivables are disclosed in note 32 to the consolidated financial statements.

(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.

5. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15		
Sales of goods	29,571	28,294
Building management services	9,123	9,291
	38,694	37,585
Revenue from other sources		
– Rental income	98,521	95,549
– Dividend income	2,008	2,401
	100,529	97,950
Total revenue	139,223	135,535

The following table provides information about timing of revenue recognition:

	Property investment and management		Trading of goods		Securities investment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At a point in time	–	–	29,571	28,294	–	–	29,571	28,294
Over time	9,123	9,291	–	–	–	–	9,123	9,291
	9,123	9,291	29,571	28,294	–	–	38,694	37,585
Revenue from other sources	98,521	95,549	–	–	2,008	2,401	100,529	97,950
	107,644	104,840	29,571	28,294	2,008	2,401	139,223	135,535

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

Year ended 30 September 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	107,644	29,571	2,008	139,223	–	139,223
Inter-segment	1,814	1,685	–	3,499	(3,499)	–
	109,458	31,256	2,008	142,722	(3,499)	139,223
Segment profit/(loss) *(note i)*	148,426	584	(6,434)	142,576	–	142,576
Unallocated other income and gains						29,853
Unallocated other expense and losses *(note ii)*						(5,199)
Central administrative costs						(17,154)
Finance costs						(1,912)
Share of losses of joint ventures						(3,386)
Profit before income tax						144,778

Notes:

i. Segment profit of property investment and management division included an increase in fair value of investment properties of approximately HK$65,885,000.

ii. Other expense and losses represented the foreign exchange loss and net impairment losses on amount due from and loan to a joint venture.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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
Unallocated other income and gains						25,441
Unallocated other expense and 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 expense and losses represented the foreign exchange loss.

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 equity instrument at fair value through other comprehensive income/available-for-sale investments), other expense and 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 measurement of segment profit/(loss):

Year ended 30 September 2019

	Property investment and management	Trading of goods	Securities investment
	HK$'000	*HK$'000*	*HK$'000*
Impairment losses on trade and other receivables	728	–	–
Depreciation on property, plant and equipment	469	53	–
Written off of property, plant and equipment	79	–	–
Decrease in fair value of financial assets at fair value through profit or loss	–	–	8,409

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

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. In regard to the investment properties located in the PRC, details are disclosed in note 13.

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 bank loans for both years.

7. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	**641**	604
Written off/loss on disposal of property, plant and equipment	**79**	8
Provision for repair and maintenance	**–**	5,100
Depreciation on property, plant and equipment	**956**	862
Staff costs (including directors' emoluments)	**24,843**	22,837
Impairment loss on amount due from a joint venture	**2,755**	–
Reversal of impairment loss on loan to a joint venture	**(490)**	–
Provision for impairment loss on trade and other receivables	**728**	–
Imputed interest income on amount due from a joint venture	**(6,692)**	(6,618)
Interest income from loan to a joint venture	**(1,380)**	(1,872)
Interest income from debt instruments at fair value through other comprehensive income/an available-for-sale investment	**(1,239)**	(57)
Bank interest income	**(2,932)**	(2,698)
Foreign exchange loss, net	**2,934**	2,398
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)
Gross rental income	**(98,521)**	(95,549)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**11,321**	15,502
	(87,200)	(80,047)

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
– Hong Kong profits tax	6,020	6,111
– PRC Enterprise Income Tax	1,115	732
Overprovision for Hong Kong profits tax in prior years	–	(39)
	7,135	6,804
Deferred tax charge *(note 24)*	1,492	2,138
	8,627	8,942

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

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% (2018: 25%) for the years ended 30 September 2019 and 2018.

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:

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	144,778	488,950
Tax calculated at the rates applicable to profits or losses in the tax jurisdiction concerned	23,887	80,968
Tax effect of non-deductible expenses	1,987	1,153
Tax effect of non-taxable income	(18,151)	(74,369)
Overprovision in prior year	–	(39)
Effect of share of losses of joint ventures	583	963
Tax effect of tax losses not recognised	249	25
Others	72	241
Income tax expense	8,627	8,942

9. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2018 of HK34 cents per ordinary share (2018: for the year ended 30 September 2017 of HK30 cents per ordinary share)	37,461	33,054
Interim dividend for the year ended 30 September 2019 of HK4 cents per ordinary share (2018: for the year ended 30 September 2018 of HK4 cents per ordinary share)	4,407	4,407
	41,868	37,461
Dividend proposed:		
Final dividend for the year ended 30 September 2019 of HK34 cents per ordinary share (2018: for the year ended 30 September 2018 of HK34 cents per ordinary share)	37,461	37,461

The final dividend of HK34 cents (2018: HK34 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$136,847,000 (2018: HK$480,770,000) and on 110,179,385 (2018: 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 seven (2018: 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 2019				
Executive Directors:				
Wong Tat Chang, Abraham	**110**	**2,205**	**–**	**2,315**
Wong Tat Kee, David	**110**	**–**	**–**	**110**
Wong Tat Sum, Samuel	**110**	**–**	**–**	**110**
Independent non-executive Directors:				
Lam Hsieh Lee Chin, Linda	**110**	**45**	**–**	**155**
Li Kwok Sing, Aubrey	**110**	**130**	**–**	**240**
Sit Hoi Wah, Kenneth	**110**	**105**	**–**	**215**
Seto Gin Chung, John (appointed on 1 July 2019)	**28**	**–**	**–**	**28**
	688	**2,485**	**–**	**3,173**
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

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 2019, one (2018: one) was a director of the Company whose emoluments have been included in note 11 above. The emoluments of the remaining four (2018: four) individuals were as follows:

	2019	2018
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**4,184**	3,648
Performance related bonus	**718**	638
Contributions to retirement benefit scheme	**79**	79
	4,981	4,365

Their emoluments were within the following bands:

	2019	2018
	No. of employees	No. of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 October 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
Addition during the year	60,043
Increase in fair value recognised in the profit or loss	65,885
At 30 September 2019	**5,213,818**

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/(decrease) in fair value of investment properties is set out below:

	2019	2018
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**42,989**	261,043
Commercial	**14,728**	152,273
Industrial	**5,900**	10,050
Properties located in the PRC:		
Residential *(note)*	**2,268**	(2,430)
	65,885	420,936

Note: Revenue contributed by the investment properties with fair value of approximately HK$88,338,000 located in the PRC is approximately HK$1,791,000 (2018: HK$2,039,000) for the year ended 30 September 2019.

(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 2019 and 2018 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.

13. INVESTMENT PROPERTIES (CONTINUED)

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

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

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 2019

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$500,000 to HK$1,100,000 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 2019 (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$133.9 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 RMB95 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 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)

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.

	2019	2018
	HK$'000	*HK$'000*
Opening balance (level 3 recurring fair value)	**5,087,890**	4,651,170
Addition during the year	**60,043**	15,784
Increase in fair value of investment properties	**65,885**	420,936
Closing balance (level 3 recurring fair value)	**5,213,818**	5,087,890

(e) The Group's certain investment properties are pledged to secure the general banking facilities granted to the Group (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 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
Additions	–	–	1,183	–	1,183
Disposals	–	–	(1,990)	–	(1,990)
At 30 September 2019	**1,172**	**5,269**	**25,948**	**3,212**	**35,601**
ACCUMULATED DEPRECIATION					
At 1 October 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
Provided for the year	8	105	558	285	956
Eliminated on disposals	–	–	(1,911)	–	(1,911)
At 30 September 2019	**330**	**3,799**	**24,529**	**2,529**	**31,187**
CARRYING VALUES					
At 30 September 2019	**842**	**1,470**	**1,419**	**683**	**4,414**
At 30 September 2018	850	1,575	873	968	4,266

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

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

	2019	2018
	HK$'000	*HK$'000*
Cost of unlisted investments *(note i)*	**2,003**	2,003
Fair value adjustments on non-current interest-free amount due from a joint venture	**64,359**	57,666
Dividend declared	**(62,200)**	(62,200)
Share of post-acquisition profits	**13,929**	17,315
Cumulative exchange gain arising from long term advances	**2,309**	4,571
Exchange realignment	**344**	1,432
	20,744	20,787
Amount due from a joint venture – non-current *(note ii)*	**113,352**	130,590
Loan to a joint venture – current *(note iii)*	**5,534**	14,132

Notes:

i. As at 30 September 2019, the cost of investments comprised of two investments in joint ventures of HK$3,000 and HK$2,000,000 respectively (2018: HK$3,000 and HK$2,000,000 respectively).

The investment in a joint venture of HK$3,000 (2018: 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 (2018: HK$2,000,000) 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.

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$6,693,000 (2018: HK$6,692,000) 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 2019 was 5.125% (2018: 5.125%) per annum.

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK$54,800,000 (2018: HK$57,000,000) receivable by the Group has not yet been settled as at 30 September 2019 and was included in the balance of amount due from a joint venture at 30 September 2019. The remaining balance of amount due from a joint venture relate to advances made by the Group to the joint venture years ago which are denominated in HK$, 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 2019, loan to a joint venture of HK$1,425,000 (2018: HK$9,120,000) 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 gross interest receivable of HK$4,949,000 (2018: HK$5,012,000) is expected to be repaid within twelve months together with the loan. At 30 September 2019, provision for impairment loss on loan to a joint venture of HK$840,000 (2018: Nil).

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

Notes: (Continued)

iv. Movements on the provision for impairment of amount due from a joint venture and loan to a joint venture are as follows:

Amount due from a joint venture:

	2019
	HK$'000
As at 1 October	–
Effect of adoption of HKFRS 9 *(note 2.1)*	12,291
Restated balance as at 1 October	12,291
Provision for impairment	2,755
As at 30 September	15,046

Loan to a joint venture:

	2019
	HK$'000
As at 1 October	–
Effect of adoption of HKFRS 9 *(note 2.1)*	1,330
Restated balance as at 1 October	1,330
Reversal of provision for impairment	(490)
As at 30 September	840

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:

	2019	2018
	HK$'000	*HK$'000*
Revenue	30,134	30,655
Expenses	(37,030)	(47,206)
Loss for the year	(6,896)	(16,551)

	2019	2018
	HK$'000	*HK$'000*
Financial position		
Non-current assets	1,724	1,709
Current assets	512,154	532,753
Current liabilities	(67,404)	(84,833)
Non-current liabilities	(385,688)	(391,966)
Net assets	60,786	57,663

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:

	2019	2018
	HK$'000	*HK$'000*
Net assets	60,786	57,663
Proportion of the Group's ownership interest in Silver Gain	$33\frac{1}{3}$%	$33\frac{1}{3}$%
	20,262	19,221

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

	2019	2018
	HK$'000	*HK$'000*
The loss and total comprehensive income for the year	(2,174)	(632)

16(A). AVAILABLE-FOR-SALE INVESTMENTS

	2019	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 2.1).

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

	2019	2018
	HK$'000	*HK$'000*
Debt instruments at FVOCI		
Listed debt securities investment, at fair value and classified as non-current asset	37,720	–
Equity instrument designated at FVOCI		
Unlisted equity investment, at fair value and classified as non-current asset	26,200	–

The equity investment was irrevocably designated at fair value through other comprehensive income upon adoption of HKFRS 9 on 1 October 2018 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 profits when the relevant instrument is derecognised.

The debt securities investment is listed in Hong Kong and denominated in United States Dollar ("US$"). As at 30 September 2019, the maturity dates of the listed debt securities were beyond one year after the end of the reporting period. Upon adoption of HKFRS 9 on 1 October 2018, the debt securities investment was reclassified at fair value through other comprehensive income.

17. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Trading inventories	11,822	10,100

The cost of inventories recognised as an expense during the year was approximately HK$18,206,000 (2018: HK$19,100,000).

18(A). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Unlisted equity instrument in Hong Kong, at fair value and classified as non-current asset *(note)*	38,344	–
Listed equity securities in Hong Kong, at fair value and classified as current asset	26,502	–

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 30 September 2019 according to the relevant exemption in HKAS 32 and HKFRS 9.

18(B). INVESTMENTS HELD FOR TRADING

	2019	2018
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at fair value and classified as current asset	–	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 2.1).

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.

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	4,697	3,788
Less: Provision for impairment of trade receivables	(130)	–
Trade receivables, net	4,567	3,788
Other receivables	5,350	5,007
Less: Provision for impairment of other receivables	(1,658)	–
Other receivables, net	3,692	5,007
Total trade and other receivables	8,259	8,795

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	3,763	2,877
31 – 60 days	430	160
61 – 90 days	42	20
Over 90 days	332	731
	4,567	3,788

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
	HK$'000
Neither past due nor impaired	416
1 – 30 days past due	2,461
31 – 60 days past due	160
61 – 90 days past due	20
Over 90 days past due	731
	3,788

Note: Due to the adoption of HKFRS 9, no disclosure of the ageing analysis is required for year ended 30 September 2019.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2019
	HK$'000
As at 1 October	–
Effect of adoption of HKFRS 9 *(note 2.1)*	1,060
Restated balance as at 1 October	1,060
Provision for impairment	728
As at 30 September	1,788

20. BANK BALANCES AND CASH

Bank balances carry interest rates at prevailing rates which range from 0.01% to 2.38% (2018: 0.01% to 4.08%) per annum.

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

	2019	2018
	HK$'000	*HK$'000*
HKD	105,266	230,191
RMB	24,333	15,230
USD	56,090	2,136
Others	303	73
	185,992	247,630

The Group had cash and bank balances denominated in RMB of approximately RMB9,676,000 (2018: RMB1,242,000) 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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	1,112	500
31 – 60 days	53	28
61 – 90 days	5	5
Over 90 days	2	1,894
	1,172	2,427
Other payables	18,955	14,725
Renovation fee and retention payable	3,080	1,037
Receipt in advance	2,128	1,850
Contract liabilities *(Note)*	3,626	–
Provision for repair and maintenance	4,861	5,100
Deposits received for sale of goods	–	1,551
	33,822	26,690

21. TRADE AND OTHER PAYABLES (CONTINUED)

Note: Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in Note 2.1. Contract liabilities amounted to HK$3,001,000 as at 1 October 2018 were recognised as revenue in current reporting period.

As at 30 September 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to sale of goods was approximately HK$6,551,000. The directors expect that the unsatisfied performance obligation will be recognised as revenue varying from 1 to 3 years according to the contract period.

22. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Issued and fully paid		
At 1 October 2017, 30 September 2018 and 30 September 2019		
– Ordinary shares with no par value	110,179,385	146,134

23. BANK LOANS

	2019	2018
	HK$'000	*HK$'000*
Secured bank loans		
Repayable based on the scheduled repayment date set out in the loan agreements:		
– Within one year	**55,000**	–
– After one year but within two years	**–**	40,000
	55,000	40,000

The Group's bank loans of HK$55,000,000 (2018: HK$40,000,000) contain a repayment on demand clause and therefore are shown under current liabilities.

23. BANK LOANS (CONTINUED)

The bank loans carry interests at Hong Kong Interbank offered Rate (HIBOR) plus certain basis points and are denominated in HK$, which are the functional currency of the relevant group entities.

The effective interest rate of the bank loans is ranged from 3.82% to 3.91% (2018: 4.02%) per annum.

The bank loans are secured by certain Group's investment properties amounted to approximately HK$1,120,000,000 as at 30 September 2019 (2018: HK$666,000,000).

At 30 September 2019, the Group had unutilised bank loan facilities of HK$436,000,000 (2018: 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 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
Charge/(credit) to profit or loss	1,832	(188)	(1,401)	1,249	–	1,492
At 30 September 2019	**43,795**	**140**	**3,980**	**(5,019)**	**(485)**	**42,411**

At the end of the reporting period, the Group had unused tax losses of HK$32,739,000 (2018: HK$38,801,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$30,418,000 (2018: HK$37,988,000). No deferred tax asset has been recognised on the tax losses of HK$2,321,000 (2018: HK$813,000) 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:

	2019	2018
	HK$'000	*HK$'000*
Non-current Assets		
Investment properties	**4,341,980**	4,217,920
Property, plant and equipment	**2,540**	2,367
Investments in subsidiaries	**64,909**	58,207
Amounts due from subsidiaries	**485,197**	465,432
Deposits and prepayments	**4,098**	4,992
Available-for-sale investments	**–**	15,691
Debt instruments at fair value through other comprehensive income	**37,720**	–
Equity instrument designated at fair value through other comprehensive income	**26,200**	–
	4,962,644	4,764,609
Current Assets		
Trade and other receivables	**2,665**	2,647
Deposits and prepayments	**840**	853
Bank balances and cash	**170,771**	241,796
	174,276	245,296
Current Liabilities		
Trade and other payables	**18,527**	14,542
Rental and management fee deposits	**17,696**	17,340
Amounts due to subsidiaries	**21,296**	16,420
Bank loan, secured	**15,000**	–
Provision for taxation	**2,762**	4,524
	75,281	52,826
Net Current Assets	**98,995**	192,470
Total Assets less Current Liabilities	**5,061,639**	4,957,079
Capital and Reserve		
Share capital	**146,134**	146,134
Reserves	**4,892,561**	4,788,918
	5,038,695	4,935,052
Non-current Liability		
Deferred taxation	**22,944**	22,027
	5,061,639	4,957,079

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 (recycling)	Investment revaluation reserve (non-recycling)	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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 (as originally stated)	(234)	–	4,789,152	4,788,918
Change in accounting policy Adoption of HKFRS 9	–	56,700	(12,291)	44,409
Restated balance as at 1 October 2018	(234)	56,700	4,776,861	4,833,327
Changes in fair value on:				
– Debt instruments at fair value through other comprehensive income	1,294	–	–	1,294
– Equity instrument designated at fair value through other comprehensive income	–	(38,500)	–	(38,500)
Profit for the year	–	–	138,308	138,308
Final dividend for 2018 paid	–	–	(37,461)	(37,461)
Interim dividend for 2019 paid	–	–	(4,407)	(4,407)
At 30 September 2019	1,060	18,200	4,873,301	4,892,561

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2019 and 2018, 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		
		2019	2018	**2019**	2018	
		%	%	%	%	
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 ("Elephant")	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		
		2019	2018	**2019**	2018	
		%	%	%	%	
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	**–**	–	Investment holding
Regent Creation Investment Limited *(i) (iv)*	US$10	**N/A**	100	**N/A**	–	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
(iv) Strike off during the year

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
Changes from financing cash flows:	
Bank loan raised	30,000
Repayment of bank loan	(15,000)
Interest paid	(1,912)
Other changes:	
Interest expense recognised	1,912
At 30 September 2019	55,000

27. COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property renovation costs	20,430	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	3,741	–
	24,171	70,280
Authorised, but not contracted for:		
Property renovation costs	11,657	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$4,906,000,000 (2018: HK$4,788,900,000) and HK$2,312,000 (2018: HK$2,425,000) 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$4,185,159,000 (2018: HK$4,019,264,000) was leased out under operating leases for periods ranging from one to seven years (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**82,615**	59,218
In more than one year but not more than two years	**49,855**	28,643
In more than two years but not more than five years	**16,288**	18,737
More than five years	**–**	2,178
	148,758	108,776

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$818,000 (2018: HK$727,000) 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 loans 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

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
At amortised cost (2018: Loans and receivables)		
Trade and other receivables	8,259	8,795
Loan to a joint venture	5,534	14,132
Deposits	1,771	2,003
Amount due from a joint venture	113,352	130,590
Bank balances and cash	185,992	247,630
Debt instruments at fair value through other comprehensive income	37,720	–
Financial assets at fair value through profit or loss	64,846	–
Equity instrument designated at fair value through other comprehensive income	26,200	–
Available-for-sale investments	–	15,691
Investments held for trading	–	34,911
	443,674	453,752
Financial liabilities		
At amortised cost	103,250	82,204

b. Financial risk management objective and policies

The Group's financial instruments include available-for-sale investments, investments held for trading, debt instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss, equity instrument designated at fair value through other comprehensive income, 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 loans. 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

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.

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:

	2019	2018
	HK$'000	*HK$'000*
USD	93,810	9,827
RMB	68,497	70,802

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% (2018: 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% (2018: 5%) change in USD and RMB. A negative number below indicates a decrease in post-tax profit where HK$ strengthen 5% (2018: 5%) against USD and RMB. For a 5% (2018: 5%) weakening of the HK$ against USD and RMB, there would be an equal and opposite impact on the profits.

	2019	2018
	HK$'000	*HK$'000*
USD	(3,917)	(491)
RMB	(2,860)	(3,540)

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 fair 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(iii) for details). The Group's cash flow interest rate risk relates primarily to a floating-rate bank loan (note 23) and bank balances (note 20) 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 (2018: 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 2019 would decrease/increase by approximately HK$230,000 (2018: HK$167,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loan.

(iii) Other price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to change in market prices of listed equity securities, listed debts investments and an unlisted investment fund in respect of its investments classified as equity instrument at FVOCI, financial assets at FVTPL and debt instruments at FVOCI.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors. The policies to manage the price risk have been followed by the Group since prior years and are considered to be effective.

For listed equity securities, listed debt securities investments and unlisted investment in other financial assets, if the quoted price for these securities increased or decreased by 20%, profit for the year and retained profits would have increased or decreased by HK$12,095,000 (2018: no impact) and other components of equity would have increased or decreased by HK$12,784,000 (2018: HK$5,830,000) respectively.

The increase and decrease of 20% in market price of investment represents management's assessment of a reasonably possible change in market price of investments over the period until the next annual reporting date.

Credit risk

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

– actual or expected significant changes in the operating results of the borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower.

Most of the Group's bank balances are held in major financial institutions in Hong Kong and United Kingdom, which management believes are of high credit quality. The listed equity securities, listed debt investments, unlisted equity investment and unlisted equity instrument held by the well-established banks or financial institutes and are not used for hedging purpose. These are mainly entered with banks or financial institutes with sound credit rating and management does not expect any investment counterparty to fail to meet its obligations. In this regard, the Group does not expect to incur material credit losses on managing these financial assets. Accordingly, the ECLs for bank balances and cash and financial assets at FVTPL and FVOCI were expected to be minimal.

The carrying amounts of trade receivables, other receivables, loan to a joint venture and amount due from a joint venture, financial assets at FVTPL, equity instruments at FVOCI and debt instruments at FVOCI included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

(i) Impairment of trade receivables

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade receivables as at 30 September 2019:

	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*
Neither past due nor impaired	1.31%	1,386	12
0-30 days past due	3.30%	2,453	64
31-60 days past due	5.27%	454	24
61-90 days past due	6.24%	46	4
Over 90 days past due	7.08%	358	26
		4,697	130

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

(i) Impairment of trade receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on days past due for groupings of customer segments that have similar loss patterns.

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(ii) Impairment of other receivables, loan to a joint venture and amount due from a joint venture

The Group measures loss allowances for other receivables, loan to a joint venture and amount due from a joint venture using the general approach under HKFRS 9. Impairment of these receivables and loan was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group.

If a significant increase in credit risk (as defined in accounting policy at Note 3) since initial recognition is identified, the financial asset is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis. The directors consider that there is a significant increase in credit risk for the loan to a joint venture and amount due from a joint venture after considering the financial background and condition of the counterparty.

If the financial asset is credit-impaired (as defined in accounting policy at Note 3), the financial asset is then moved to "Stage 3". The ECL is measured on lifetime basis.

At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

Change in gross carrying amounts of other receivables, loan to a joint venture and amount due from a joint venture during the year did not result in significant change in the loss allowance.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

(ii) Impairment of other receivables, loan to a joint venture and amount due from a joint venture (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and loan as at 30 September 2019:

	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*
Other receivables	0.60-38.51%	5,350	1,658
Loan to a joint venture	13.17%	6,374	840
Amount due from a joint venture	13.17%	128,398	15,046
		140,122	17,544

Change in gross carrying amounts of other receivables, loan to joint venture and amount due from joint venture during the year did not result in significant change in the loss allowance.

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*
2019				
Trade and other payables	–	23,207	23,207	23,207
Rental and management fee deposits	–	25,043	25,043	25,043
Bank loans at variable rate	3.82% - 3.91%	55,000	55,000	55,000
		103,250	103,250	103,250

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk (Continued)

	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	–	18,189	18,189	18,189
Rental and management fee deposits	–	24,015	24,015	24,015
Bank loan at variable rate	4.02%	40,000	40,000	40,000
		82,204	82,204	82,204

Bank loans 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 2019, the principal amount of such bank loans amounted to HK$55,000,000 (2018: 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. On this basis, the aggregate principal and interest for the bank loans would be as follows:

	Weighted average effective interest rate	0 to 3 months	4 to 12 months	1 to 2 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Bank loans at variable rates	**3.82% - 3.91%**	**15,434**	**40,047**	**–**	**55,481**	**55,000**
2018						
Bank loan at variable rate	4.02%	402	1,206	40,454	42,062	40,000

The amounts included above for variable rate bank loans 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: Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

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

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

Financial assets	Fair value as at 30 September 2019	Fair value measurements as at 30 September 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	26,502	26,502	–	–
– Unlisted equity instrument in Hong Kong	38,344	–	–	38,344
Equity instruments designated at FVOCI:				
– Unlisted equity investment in Hong Kong	26,200	–	–	26,200
Debt instruments at FVOCI:				
– Listed debt securities investment	37,720	37,720	–	–

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 investments:				
– 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 end of the reporting period.

32. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement 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 2.1)*	56,700	–
Addition during the year	–	34,785
Change in fair value, recognised in other comprehensive income	(38,500)	–
Change in fair value, recognised in profit or loss	–	3,559
Closing balance as at 30 September 2019	26,200	38,344

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

Description	Fair value at 30 September 2019	2018	Valuation techniques	Unobservable input	Relationship of unobservable input to fair value
	HK$'000	*HK$'000*			
Financial asset measured at FVTPL					
Unlisted equity instrument in Hong Kong	38,344	–	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% (2018: N/A)	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

32. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

Description	Fair value at 30 September 2019	2018	Valuation techniques	Unobservable input	Relationship of unobservable input to fair value
	HK$'000	*HK$'000*			
Equity instrument designated at FVOCI/Available-for-sale asset					
Unlisted equity investment in Hong Kong	26,200	–	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% (2018: N/A)	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 year ended 30 September 2019.

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 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

	2019	2018
	HK$'000	*HK$'000*
Accounting service income received from Elevant–Garde	24	8
Licence income received from Elevant–Garde	259	154
Repair and maintenance expense paid/payable to Elevant–Garde	420	95
Addition of investment properties paid to Elevant–Garde	1,134	500

	2019	2018
	HK$'000	*HK$'000*
Deposits paid to Elevant–Garde included in deposits and prepayments	103	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")

	2019	2018
	HK$'000	*HK$'000*
Rental income received from B.L. Wong	1,020	1,020
Property management fee received from B.L. Wong	235	233

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:

	2019	2018
	HK$'000	*HK$'000*
Short-term employee benefits	8,075	7,274
Retirement scheme contributions	79	79
	8,154	7,353

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.

34. EVENT AFTER THE REPORTING DATE

Subsequent to the reporting date, on 18 November 2019, the Company and B.L. Wong entered into an agreement, pursuant to which the Company has conditionally agreed to purchase, and B.L. Wong has conditionally agreed to sell, 4,784 shares of Elephant, a subsidiary of the Company, representing 47.84% of the entire share capital of Elephant as at the date of this Report, at a total consideration of HK$15,424,000.

(A) CONSOLIDATED RESULTS

	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	132,473	146,515	141,962	135,535	**139,223**
Profit for the year	172,529	259,690	420,421	480,008	**136,151**
Profit/(loss) for the year attributable to:					
Owners of the Company	172,434	259,012	419,883	480,770	**136,847**
Non-controlling interests	95	678	538	(762)	**(696)**
	172,529	259,690	420,421	480,008	**136,151**

(B) CONSOLIDATED NET ASSETS

	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	4,547,930	4,781,392	5,147,246	5,588,661	**5,705,536**
Total liabilities	(154,329)	(161,914)	(139,442)	(141,400)	**(163,210)**
Net assets	4,393,601	4,619,478	5,007,804	5,447,261	**5,542,326**
Equity attributable to owners of the Company	4,385,587	4,610,786	5,000,255	5,440,474	**5,536,235**
Non-controlling interests	8,014	8,692	7,549	6,787	**6,091**
Total	4,393,601	4,619,478	5,007,804	5,447,261	**5,542,326**

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)	Residential	Long lease	25	314

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