博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : **225**

1970-2020

50th ANNIVERSARY

ANNUAL REPORT 2019/2020

YOUR LIFE, OUR INSPIRATION

Property Leasing | Managment | Development

WHO WE ARE

Incorporated in 1970, Pokfulam Development Company Limited has over 40 years' experience in developing and managing properties in Hong Kong and beyond. The company's portfolio includes luxurious residential developments in some of Hong Kong's most prestigious neighbourhoods, as well as commercial and industrial buildings in the city's key business districts. The efficient operation in these properties is ensured by the company's own property management team; our experienced and dedicated staff are committed to providing tenants the ideal living and working environment, as well as property management service of the highest calibre.

VISION & OVERVIEW

To create the ideal living and work environment for our tenants and to become a premier property management company of Hong Kong by embracing technology and the principles of environmental and social sustainability.

Pokfulam Development Company Limited is a property investment and investment holding company. The Company operates mainly in three business segments: property investment, development and management, which includes the letting and management of commercial and residential properties; trading of goods, primarily that of visual and sound equipment; and securities investment and investment holding, which includes dealings in listed securities.

1970-2020
50th ANNIVERSARY

CONTENTS

MILESTONE

1970-1985

1970 Incorporation

1972 Listed In The Main Board Of The Stock Exchange

1977 The Completion Of Development Of Scenic Villas. 151 Apartments Of Scenic Villas Were Sold, And 59 Apartments Have Been Retained As Long Term Investment

1980 Occupation Permit For Sai Wan Ho Street Property Was Issued. Units Of This Property Were Sold

1983 26-Storey Commercial Building With Electro-Mechanical Car Parking Facilities At Lockhart Road, Beverly House, Were Completed

1984 Acquisition Of Elephant Radio Company Limited (Later Renamed Elephant Holdings Limited)

1970-2020
50th ANNIVERSARY

1985-2000

1987 Development Of Avery House And Chateau Scenic Completed

1988 Acquisition Of Minority Interest In Wah Ming Hong Holdings Limited

1989 Acquisition Of Nos. 3&4 Headland Road

1992 Formation Of A Joint Venture Company To Participate In The Development Of A Commercial-Residential Complex In Guangzhou

1995 Acquisition Of 16 Units In Manhattan Garden In Chao Yang District Of Beijing

1997 Acquisition Of Kennedy Court At Shiu Fai Terrace

2000-2020

2003 Completion Of Phase I And Phase II Of The Guangzhou Project. Residential Units Of Phase I Were Substantially Sold

2010 Pre-Sales Of Phase III Residential Units Of Guangzhou Project Commenced

2012 Major Renovation Program On No. 3 Headland Road Commenced

2017 Formed Elevant-Garde Limited, A Joint Venture Company That Specializes In Smart Home And Building Solutions

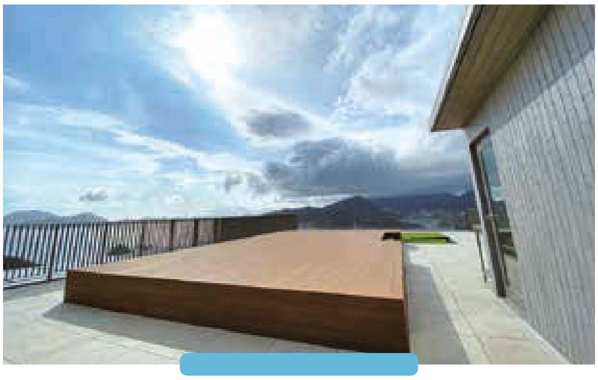
2018 Renovation Of No.4 Headland Road Began/ Investment In TKO Fund

2020 Investment In Adams Street Private Income Fund LP

PROJECT HIGHLIGHTS

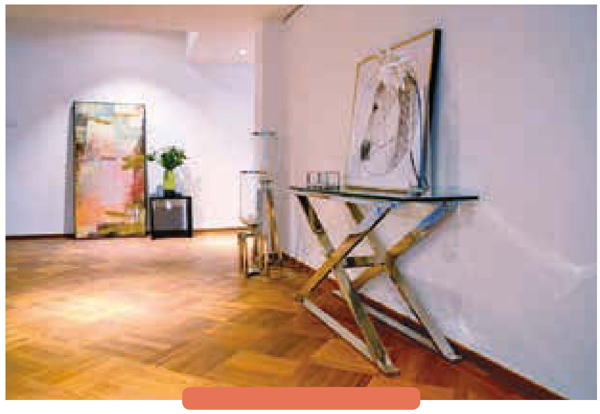
NO.4 HEADLAND ROAD

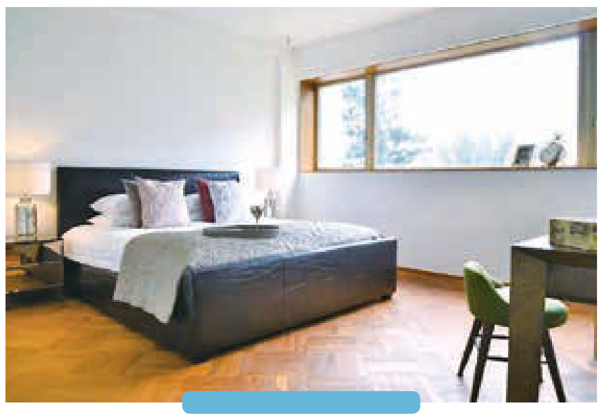
No. 4 Headland Road is situated in a serene neighbourhood nested between Repulse Bay and Chung Hom Kok in Island South. This three-storeyed, colonial style building surrounded by lush greenery is comprised of six luxurious residential units. Each unit is accompanied with a large balcony that offers immaculate views of the South Bay Beach. With a saleable area of approximately 3,400 sq. ft., each unit has three to four bedrooms and three bathrooms. The property's proximity to the Stanley Plaza, Ocean Park, and beaches in the Southern District provides families numerous options for places to enjoy outdoor recreation.



NO.3 HEADLAND ROAD

No. 3 Headland Road is situated in a serene neighbourhood nested between Repulse Bay and Chung Hom Kok in Island South. The property is surrounded by lush greenery and offers spectacular views overlooking the South Bay and Repulse Bay. This 3-storeyed colonial style building was renovated in Mid 2014 and is comprised of six modern luxury residential units with two apartments on each floor. Each unit is accompanied by a private, spacious outdoor area, a rare find in Hong Kong. Its proximity to the Stanley Plaza, Ocean Park, and beaches in the Southern District provides families numerous options for places to enjoy outdoor recreation.

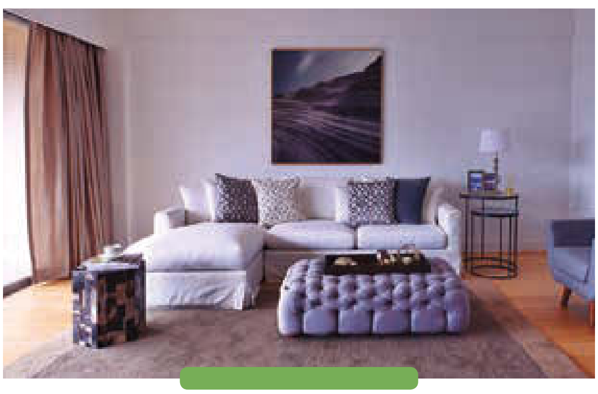


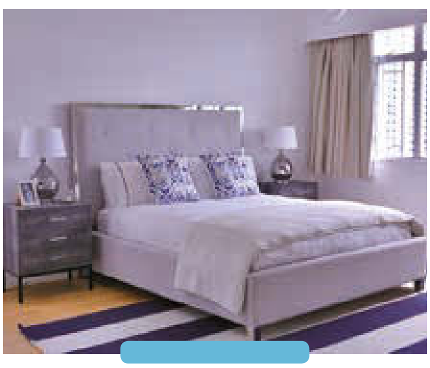


THE SCENIC VILLAS L14 PROJECT

Scenic Villas is situated in Pok Fu Lam on the western coast of Hong Kong Island. The residential complex, of which the Group offers 44 units for lease, provides comprehensive facilities and spacious 4-bedroom apartments with large balconies overlooking the Lamma Channel. The ESF Kennedy School, West Island School and Cyberport complex are all located within a stone's throw away from the development. Residents of Scenic Villas are serviced by a direct, private shuttle bus that connects Scenic Villas with the Central Business District; they can also reach various commercial districts of Hong Kong via public buses and mini buses.



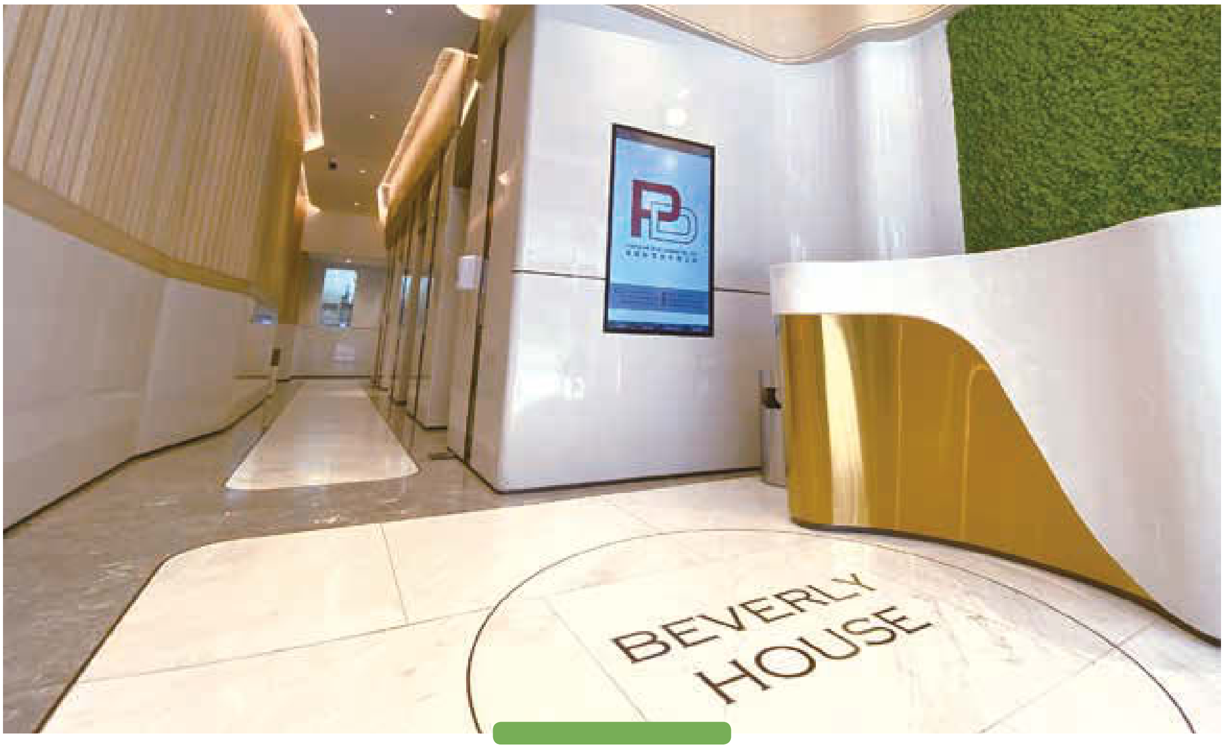





BEVERLY HOUSE

Beverly House is a 24-storey office building conveniently located in the commercial heart of Wanchai. It offers offices of sizes ranging from approximately 400 to 6,500 sq. ft. with convenient access to multiple public transit options and key amenities including the MTR system, public bus lines, banks and government offices.

The property is within 7-minutes' walk from the Hong Kong Convention and Exhibition Centre and Government Buildings, which are connected to Lockhart Road by the Wanchai pedestrian footbridge. Beverly House also houses 44 rentable parking spaces, providing tenants a convenient and secure location to park their vehicles.



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
(retired on 1 December 2020)
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
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.

SOLICITORS

Zhong Lun Law Firm
Chungs Lawyers
Howse Williams
Tony Kan & Co., Solicitors & Notaries
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

RESULT FOR THE YEAR

The consolidated net loss of the Company and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the year ended 30 September 2020 was approximately HK$59.5 million, as compared to approximately profit of HK$136.9 million in the previous year. Such results took into account the following major non-operating items:

- A revaluation deficit of approximately HK$114.0 million (2019: surplus of HK$65.9 million) on investment properties;
- Net revaluation losses of approximately HK$11.6 million (2019: HK$4.9 million) on securities investments and equity instruments;
- Share of losses of joint ventures of approximately HK$0.4 million (2019: HK$3.4 million);
- Exchange gain on amount due from a joint venture of approximately HK$3.3 million (2019: loss of HK$2.2 million); and
- Net provision for impairment losses in respect of expected credit losses on financial assets of approximately HK$4.9 million (2019: HK$3.0 million).

If the above items and their net taxation expenses of approximately HK$3.7 million (2019: HK$0.4 million) were excluded, the operating net profit after taxation for the year would have been HK$71.8 million (2019: HK$84.9 million).

DIVIDEND

The Board has recommended the payment of a final dividend of HK34 cents per share in respect of the year ended 30 September 2020 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 8 February 2021. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 30 June 2020, would give a total dividend of HK38 cents per share for the whole financial year (2019: HK38 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Wednesday, 27 January 2021, it is expected that the final dividend would be paid to the Shareholders on Monday, 22 February 2021.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

A. Hong Kong

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 2% below that of the same period last year. Income from the Group's residential sector showed a decrease of 1% and that from the commercial and industrial sector showed a decrease of 4% comparing to those of the same period last year. The decline in rental income is a reflection of the slowdown of the overall economy caused by the Covid-19 pandemic.

The renovation work at No.4 Headlead Road has just been completed. This project is expected to generate related revenue in the coming year.

Elephant Holdings Limited (EHL) –

The resolution for the Company to acquire 47.84% equity interest of EHL from B. L. Wong (Holdings) Company Limited was approved by the Group's independent shareholders at the Extraordinary General Meeting held on 31 December 2019. The acquisition was subsequently completed on 24 January 2020; the Group is now holding 99.8% of EHL's total share capital.

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 been expanding its Hi-Fi, audio-visual and sound systems portfolio into the China market via distributors. The Company is of the view that there is a prospective growing market in the high-end audio-visual and sound systems and Hi-Fi products in China.

EHL is one of our major subsidiaries and it contributed approximately 23.7% of the Group's revenue for the period under review and brought a positive impact on the Group's segment results.

Property-related Fund Investment –

To diversify and expand its range of investments in the real estate sector, 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. The objective of the TKO Fund is to co-invest with an institutional investor in three properties in Tseung Kwan O, which includes 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 would be approximately five years from its acquisition at the end of March 2019.

As of 30 September 2020, the Group has already contributed HK$34.8 million capital to the TKO Fund. On the same date, our investment in the Fund was valued at HK$35.8 million.

Other Securities Investment –

The Group maintains a portfolio of stocks and other investment products that generate a high yield. The Group has taken into account the following criteria when determining whether to take up an investment and trading opportunity: 1. Potential for return on investment in terms of capital appreciation and dividend payment for the target holding period; 2. Risks exposure in comparison with the Group's risk tolerance level at the prevailing time and; 3. Diversification of the existing investment portfolio.

During the period under review, the Group has subscribed to invest in a private equity fund, namely Adams Street Private Income Fund LP (the "Fund"), with the amount of USD5 million. The investment objective of the Fund is to generate current income and attractive risk-adjusted returns with strong downside protection. The Fund invests primarily in directly originated, 1st lien senior secured debt of private equity-backed middle-market companies. As of today, the Group has fully contributed its commitment to the Fund.

B. Property Projects in Mainland China

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

In the past 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 ("the Disposal"), and the sale of the equity interests has to go through an open tendering process through the United Assets and Equity Exchange in Shanghai. Since the outbreak of COVID-19 pandemic, the general economy in the Mainland China has been dramatically affected. The tenders for the Disposal have lapsed as there was no satisfactory offer received up to the expiry of the tender periods. The three shareholders will proceed another tender for the Disposal when the general economic conditions in Mainland China has recovered.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing –

Due to the outbreak of COVID-19 pandemic, occupancy rate and monthly rental income of these units have decreased compared with that of the previous year.

PROSPECTS

Since the outbreak of the COVID-19 pandemic, Hong Kong's overall economic activities has been severely affected. To mitigate the negative impact of this Pandemic on the Group's rental income, the management has undertaken several proactive measures to enhance the appeal of its properties and the quality of services provided. These measures include but are not limited: 1. Renovation and upgrade of structural facilities of the Company's Office Building; 2. Incorporation of smart building and smart home technologies into the Group's residential properties to provide tenants and users added layers of convenience. It is expected these initiatives will help the Group's properties to remain competitive and attractive to prospective lessees in a challenging environment.

In view of the above, a reduction in rental income of the Group is anticipated in the coming year.

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. I like to convey a special thank to Madam LAM Hsieh Lee Chin, Linda, who has recently retired from the Board, for her contribution to the Company in the past 47 years.

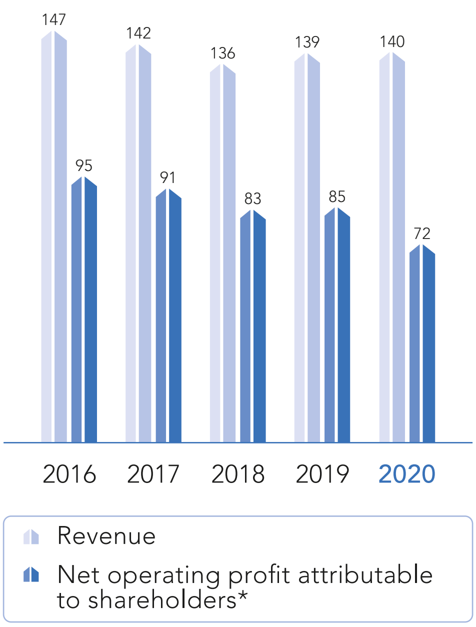
Wong Tat Chang, Abraham
Chairman, Managing Director and Executive Director

Hong Kong, 7 December 2020

FINANCIAL HIGHLIGHTS

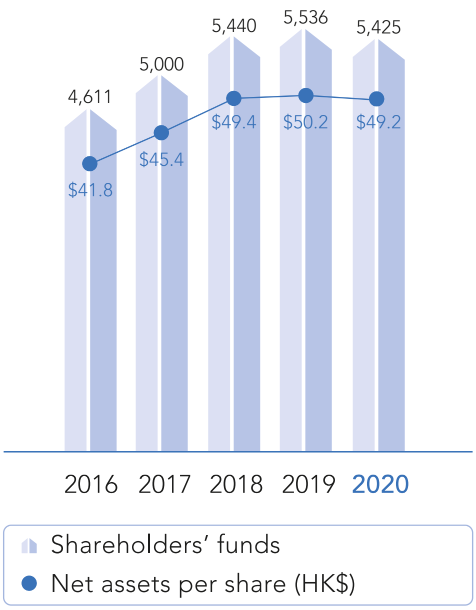
REVENUE/NET OPERATING PROFIT

HK$ Million



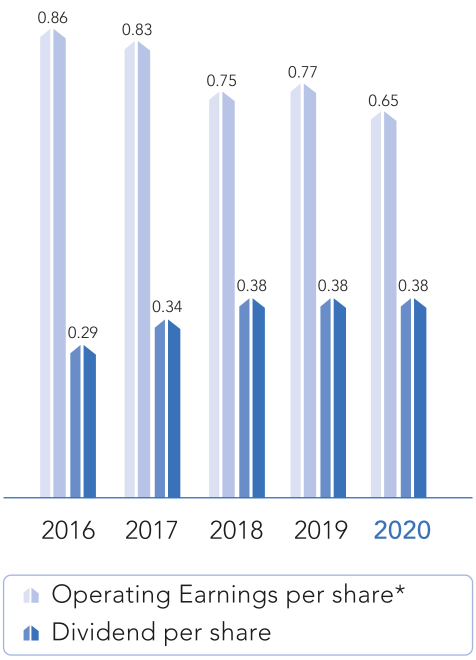
SHAREHOLDERS' FUNDS/NET ASSETS PER SHARE

HK$ Million/HK$

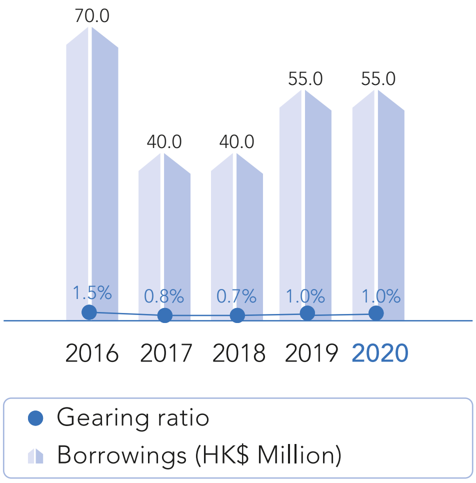


OPERATING EARNINGS/DIVIDEND PER SHARE

HK$



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: 69)
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 certain 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: 68)
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 ,an ED, the chairman of the Board (the "Chairman") and the managing Director and the elder brother of Mr. Wong Tat Sum, Samuel, an ED.

WONG TAT SUM, SAMUEL

B.Sc., B.A. (Tufts)
ED (Age: 65)
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,on ED, the chairman and the managing Director and Mr. Wong Tat Kee, David, an ED.

LAM HSIEH LEE CHIN, LINDA

Independent Non-executive Director (the "INED") (Age: 93)
Mdm. Lam was appointed as a Director in 1973 and retired on 1 December 2020. 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 of the Board (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: 70)

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, and Kowloon Development Company Limited, all being companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

SIT HOI WAH, KENNETH

LLB (Hons.)

INED (Age: 62)

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

SETO GIN CHUNG, JOHN

INED (Age: 72)

Mr. Seto was appointed as an INED on 1 July 2019 and is a member of the Audit Committee. He is 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

WONG CHIN YEE

General Manager (Age: 38)

Mr. Wong was appointed as general manager of the Company 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 People's Republic of China, the Socialist Republic of Vietnam and USA prior to returning to Hong Kong. He is a director of certain subsidiaries of the Company. He is a son of Mr. Wong Tat Chang, Abraham, the Chairman of the Board, 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: 41)

Mr. Hui joined the Group in July 2012 and is now the company secretary and financial controller of the Company, responsible for the company secretarial, financial and accounting matters of the Group. He is 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 19 years' accounting and finance working experience.

ABOUT THIS REPORT

Pokfulam Development Company Limited and its subsidiaries (collectively as the "Group") is pleased to present its the Environmental, Social and Governance ("ESG") Report (the "Report"). The Report details the Group's ESG policies, measures, and performance. 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. Through reporting to stakeholders on sustainable development performance, the Group aims at attaining transparency and responsibility of information disclosure which therefore increase public confidence; at the same time helping stakeholders better understand the Group's sustainability progress and development direction.

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 2019 to 30 September 2020 (the "Reporting Period"). The reporting scope includes the property investment and management businesses over which the Group has financial significance and operational influence, as well as those of ESG significance to the Group and its stakeholders.

In respect of environmental and social policies, this Report covers various properties in Hong Kong and the Headquarter Office in Wanchai. As the Headquarter Office represents the Group's core organization for policy formulation and operation management, the KPIs or other statistical information contained herein will focus on the Headquarter 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 from the financial year ended 30 September 2020 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	Commercial
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:** We regularly communicate with stakeholders to better understand their concerns relating to sustainability issues that affect them. Regular reference is made to peers, local and regional sustainability criteria which help to improve sustainability context, materiality and disclosures.

2. **Quantitative:** The data collection and analysis for the Report were based on relevant guidelines and standards, such as ISO 14064 for quantifying greenhouse gas emissions. Figures in the Report may not add up to the total due to rounding.

3. **Balance:** The Report provides our stakeholder fair disclosures on critical aspects of the Group's ESG performance. It covers the Group's ESG progress, achievements and continuing challenges.

4. **Consistency:** Same as last year, the Report is prepared in accordance with the Guideline, which allows year-to-year comparison in ESG performances.

STAKEHOLDER ENGAGEMENT

The Group believes that the feedback from the stakeholders not only facilitates a comprehensive and pertinent assessment of its ESG performance, but also helps improve our performance accordingly. As such, the Group communicates with the stakeholders in an open, honest and positive manner through various channels, including results announcements and annual reports. In addition, the Group shares the latest information about the Group with the stakeholders on the online platforms, such as the Group's website.

The operation of the Group affects a spectrum of stakeholders, such as investors, employees, suppliers, occupant and guest, who have different expectations on the Group. The Group will continue to maintain its communications with the stakeholders and collect opinions from the stakeholders through various channels for the purposes of improving its ESG approaches.

The Group 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 nature of the Group's business is property investment and management businesses which do not emit significant discharges, such as nitrogen oxides, sulphur oxides, and respirable suspended particulates or any significant volume of hazardous or non-hazardous waste. However, the Group considers it equally important to shoulder the responsibility in the context of caring for the environment. In addition to complying to all applicable local environmental laws and regulations, the Group strives for enhanced energy efficiency and reduced carbon emissions within its work premises. The following are some of the initiatives on environmental conservation.

1. Greenhouse Gas 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 Greenhouse Gases (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 25.66 tonnes of carbon dioxide equivalent (2018/19: 17.23), with an intensity of 0.10 tonnes of carbon dioxide equivalent per working day (2018/19: 0.07), comprising fuel consumptions and electricity consumption.

In addition, fuel consumptions are one of the sources of GHG emissions. This year, 3 private cars are included in the Reporting Scope compared to 2 private cars in 2018/19. 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) 2019/20	2018/19
SO_X	Group vehicles	**0.08**	0.03
NO_X		**1.93**	0.94
PM		**0.14**	0.07

Table 1 – Air Emissions during the Reporting Period

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO_2e)		Total Emission (in percentage)	
		2019/20	2018/19	**2019/20**	2018/19
Scope 1					
Direct Emission	Group vehicles	**13.48**	5.75	**52.55**	33.36#
Scope 2					
Indirect Emission	Purchased electricity	**11.18**	10.55	**43.58**	61.24#
Scope 3					
Other Indirect Emission	Disposal of paper waste	**1.00**	0.93*	**3.87**	5.40#
Total		**25.66**	17.23#	**100%**	100%

Table 2 – Total Greenhouse Gas Emissions in the Reporting Period

* *Paper consumption for 2018/19 was restated which is consistent to 2019/20.*

\# *GHG emissions and emission percentage by scope for 2018/19 was restated due to revised paper consumption figure.*

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.

The Group is also concerned about carbon emissions caused by business travel and has introduced a number of measures in this regard, including preference to local suppliers, centralised management of vehicle use, and interaction with business partners via modern communications tool.

(b) *Waste Management*

The Group adheres to the principles of waste management and strives to properly handle and dispose of waste generated from business activities. 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 206.25 kilogram (2018/19: 193.75*), equivalent to 0.84 kilogram per working day (2018/19: 0.79*). 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)	
		2019/20	2018/19	**2019/20**	2018/19
Paper	kilogram	**206.25**	193.75*	**0.84**	0.79*

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

* *Paper consumption for 2018/19 was restated which is consistent to 2019/20.*

2. Use of Resources

The Group persists in the concept of energy conservation and emission reduction to achieve green production. In pursuing this environmental conception, the Group has implemented various measures to enhance energy efficiency, as well as paper and water consumption. By aggressively monitoring and managing the use of resources, the Group aims to enhance the efficient use of resources, while implementing the procedures for lowering and reducing carbon emissions in our operation activities, both of which will help conserve energy. Given the business nature, the use of packaging materials is irrelevant to the business of the Group. Set out in the following section are details of consumption of energy and water resources.

(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)	
		2019/20	2018/19	**2019/20**	2018/19
Water	m^3	**178.03**	200.31	**0.73**	0.82
Electricity	kWh in '000s	**13.81**	13.19	**0.06**	0.05

Table 4 – Total resources 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.

To provide staff with the latest industry and government GHG reduction practices, the Group have provided the internationally recognized ISO 14064 training during the Reporting Period. In the future, the Group will consider to implement ISO 14064-1 system and acquire the accredited verification, which shall not only fulfil local and international requirements on sustainability reporting but also demonstrate the Group's environmental credentials.

(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

As a socially responsible enterprise, the Group acknowledges the protection of nature and the environment as an integral part of our corporate values. Whilst constantly seeking to reduce resource consumption and environmental impacts, the Group will explore methods to improve profitability and continue with our commitments to sustainability.

Besides continuing to identify, assess, and manage potential adverse environmental impacts, the Group will remain committed to maintaining the balance between the industry and the ecology and pursue long-term sustainability development. In the midst of reviewing our operation strategies and planning the industrial development in the future, the Group will take environmental protection and appreciation of natural resources into consideration.

4. Climate Change

The Group operates in Hong Kong and has identified typhoon as the major threat from the increasing climate change. Given this, the Group has developed mitigation measures to reduce the adverse impact caused by typhoons on employees and properties. For instance, the Group conducts regular inspection on windows under the Government's mandatory window inspection scheme. The Group has also purchased insurance to transfer possible losses caused by natural disasters and reduce the risk of casualties and property losses.

The Group has formulated emergency guidelines and measures to minimise the destruction brought by disasters. The Group will review its climate change policies on a regular basis to ensure their effectiveness.

B. SOCIAL

The Group reckons that employees are the most valuable assets and have a critical impact on the quality of the Group's products and services. They are also the cornerstone for sustainable corporate development.

The Group strives to build a safe, healthy, fair, and non-discriminative work environment and maintain a harmonious relationship with employees, so as to bring together all employees to promote the long-term sustainable development of the Group.

1. Employment and Labour Practices

The Group is convinced that equal employment relations can improve employee satisfaction, which in turn helps retain and motivate outstanding talents and thus promotes the Group's business development. As such, is committed to providing a fair and safe work environment with equal opportunities to staff and embracing diversity regardless of nationality, race, religion, gender, age, physical abilities, pregnancy, or family status. Fairness, honesty, and integrity are emphasised in the process of recruitment, dismissal, and promotion as part of the principle of equal opportunity.

As of 30 September 2020, there were 18 employees (2018/2019: 17) in the Group's workforce [Note 1]. The majority of the Group's employees locate in Hong Kong with around 94% are full-time employees.

(Note 1) The total number of employees is calculated by the sum of employee number of the first day of the Reporting Year and new employee numbers as at year-end minus the number of employees who leaves the Group as at year-end.

The employee compositions and turnover rate are illustrated as follows:

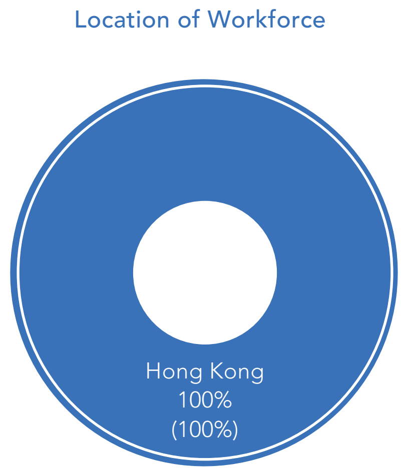


Chart 1 – Location of Workforce during the Reporting Period

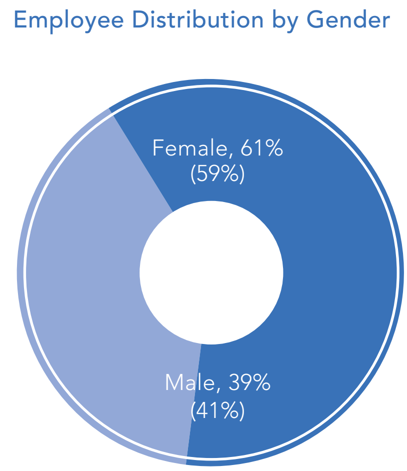


Chart 2 – Employee Gender Distribution during the Reporting Period

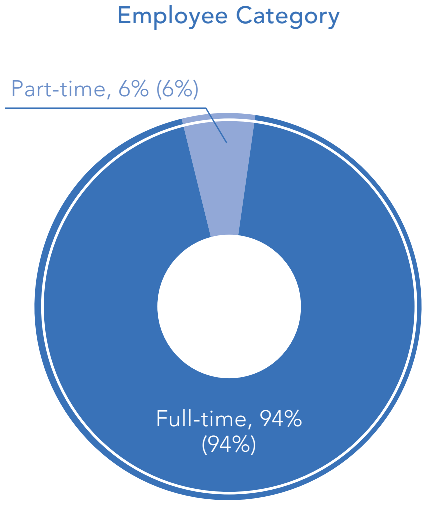


Chart 3 – Employee Category during the Reporting Period

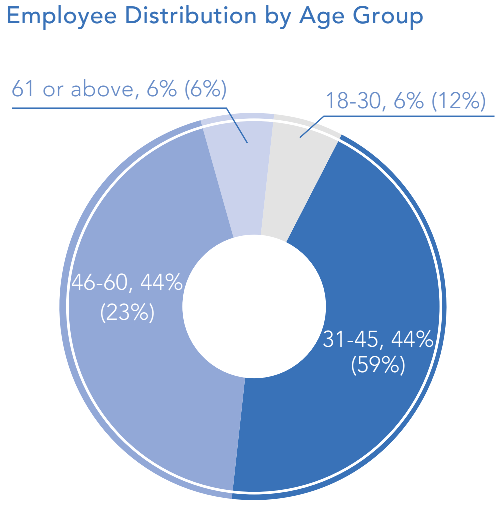


Chart 4 – Age Distribution of Employees during the Reporting Period

Note: (2018/19 figures)

Employee Turnover rate by categories	Percentage of total (%) 2019/20	2018/19
Gender		
Male	0	15.4
Female	100.0 (Note 1)	0
Age Group	0	
18 – 30	100.0 (Note 2)	0
31 – 45	0	10.5
46 – 60	0	0
61 or above	0	0
Geographical Region		
Hong Kong	100.0 (Note 3)	6.1

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

(Note 1,2,3) During the Reporting Period, the Group updated its calculation of employee turnover rate by categories, which is uniformly determined, dividing number of employees who leave the Group by the total number of employees who leave the Group within the specific category (Gender, age group and geographical region).

(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) *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).

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 the 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 an excellent result in occupational safety and health aspect.

During the Reporting Period, the Group found no case of violation of laws and regulations related to occupational safety and health, nor did it receive any complaints about work conditions. Also, there were no work-related deaths (2018/19: none) nor lost day due to work injuries during the Reporting Period.

(b) COVID-19 Pandemic

On 11 March 2020, the World Health Organization (WHO) declared the coronavirus COVID-19 outbreak as pandemic. The safety and security of customers, employees, and other stakeholders are at top priority. On the ground, the Group has implemented measures based on guidance received from government authorities in order to help prevent the spread and infection of COVID-19. For instance, the Group provided hand sanitizers and masks in offices, and arrange flexible working hours if necessary.

(c) 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 and 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 (%) 2019/20	2018/19
Gender		
Male	100.0	14.3
Female	91.0	20.0
Employee category		
Senior management	100.0	25.0
Middle management	100.0	0
General employees	80.0	33.3

Table 6 – Training Received by Employee Category during the Reporting Period

Average training hours completed by employee categories	Training hours 2019/20	2018/19
Gender		
Male	16.7	N/A
Female	14.5	N/A
Employee category		
Senior management	16.6	N/A
Middle management	16.0	N/A
General employees	12.8	N/A

Table 7 – Average Training Hours Completed 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.

The Group strictly observes the employment regulations, relevant policies and guidelines of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). 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 the environment and customer health and safety, we prohibit the use of hazardous materials and request contractors and suppliers to adopt the materials that fulfil international environmental standards and follow waste handling guidelines. We also instruct our contractors and suppliers to provide information related to environmental protection, together with quotations and contracts.

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

Number of Active Contractors and Suppliers

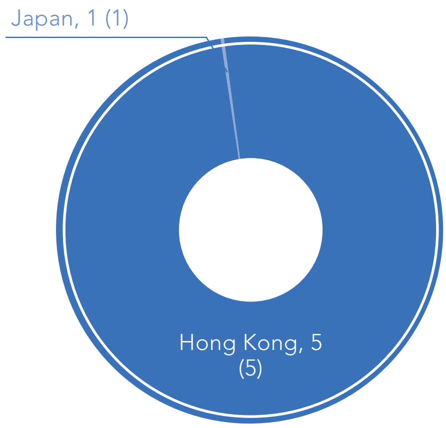


Chart 5 – Number of Active Contractors and Suppliers during the Reporting Period

Note: (2018/19 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 (%)	
	2019/20	2018/19
Total works completed subject 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.

During the Reporting Period, the Group has implemented "SleekFlow" – the most advanced Customer Relationship Management (CRM) that centralised messaging platforms such as Whatsapp, WeChat, email, etc. The new CRM enables a better customer experience by gaining advantage from the centralised platform, thus a faster and more accurate response is delivered to users.

(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.

The Group engages in various means of communication and training to make employees and directors aware of the code of practice. As part of our overall ethics training, all Company employees and directors will be provided training regarding anti-bribery and corruption upon their joining the Group. In addition, focused ethics and anti-bribery and corruption training will be provided periodically to applicable professional functions. Also, the Group will make third parties with whom it conducts business aware of this Policy and, where appropriate, will provide corresponding training.

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 and protecting the natural environment,, this year the Group continued to support World-Wide-Fund (WWF) by donating HKD50,000 during the Reporting Period. Besides, for the first year, the Group has acquired the Business Environmental Council membership. It is believed that by joining the platform the Group gain opportunities across all sectors to facilitate Hong Kong's sustainable development.

(b) Helping the beneficiaries

The Group is committed to the pursuit of sustainable development as well as contribute to the advancement of society. During the Reporting Period, the Group donated HKD5,000 to the Community Chest of Hong Kong.

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.

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 2020 (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.

Directors have full and timely access to all the relevant information as well as advice and services of the company secretary of the Company (the "Company Secretary"), with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making a reasonable request to the Board. Directors make decisions objectively in the interests of the Company.

Board Composition

The Board currently comprises six members, namely three executive Directors (the "EDs") and three independent non-executive Directors (the "INEDs"). The number of INEDs represents 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 the Nomination Committee and a member of the 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 as a member of the Audit Committee on 18 November 2019 and retired on 1 December 2020)*
Mr. Li Kwok Sing, Aubrey ("Mr. Li") *(chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee)*
Mr. Sit Hoi Wah, Kenneth ("Mr. Sit") *(chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)*
Mr. Seto Gin Chung, John ("Mr. Seto") *(appointed as member of the 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 14 to 16 of this annual report.

During the Year, the Board has 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 and representing at least one-third of the Board. 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 the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The 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"). All these Committees provide 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.

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 128 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.

In accordance with article 123 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. Abraham Wong and Mr. Sit shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM. Pursuant to Code Provision A.4.3 of the Code, the re-election of Mr. Sit will be subject to a separate resolution to be approved by the Shareholders at the forthcoming AGM as he has served on the Board for more than 9 years.

The 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 15 December 2020 contains detailed information of the retiring Directors standing for re-election.

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 (retrieved on 1 December 2020)	B
Mr. Li	A and B
Mr. Sit	A and B
Mr. Seto	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.

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 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.

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.

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.

The Company has adopted a whistle-blowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in financial reporting or other matters of the Group.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Management or the external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the 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 the 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 the 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.

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 once during the Year and reviewed the diversity, structure, size and composition of the Board and the independence of the INEDs, considered the qualifications, experience and performance of the retiring Directors and recommended to the Board their re-election at the AGM for 2019 (the "2019 AGM").

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, approved a discloseable and connected transaction and amendment to the Articles of Association of the Company.

During the Year, the attendance records of the Directors at the respective meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, the 2019 AGM and the extraordinary general meetings of the Company ("EGMs") 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	2019 AGM	EGMs
EDs						
Mr. Abraham Wong *(Chairman, Managing Director, chairman of the Nomination Committee and member of the Remuneration Committee)*	4/4	1/1	N/A	1/1	1/1	2/2
Mr. David Wong	4/4	N/A	N/A	N/A	0/1	1/2
Mr. Samuel Wong	4/4	N/A	N/A	N/A	1/1	2/2
INEDs						
Mdm. Lam *(ceased as a member of the Audit Committee on 18 November 2019 and retired on 1 December 2020)*	4/4	N/A	1/1	N/A	0/1	0/2
Mr. Li *(chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee)*	4/4	1/1	2/2	1/1	0/1	1/2
Mr. Sit *(chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)*	4/4	1/1	2/2	1/1	1/1	2/2
Mr. Seto *(the member of the Audit Committee)*	4/4	N/A	1/1	N/A	1/1	2/2

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 enable them to make informed decisions in accordance with the Code Provisions as stipulated in the Code. The Board and each Director also have separate and independent access to the Senior Management whenever necessary.

The Management has provided all 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.

The 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 as set out in Appendix 10 to the Listing Rules (the "Model Code") 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 the management of the Company 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 66 to 70 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	670
Non-audit services (including interim review, taxation and other services)	162
	832

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Management 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 and Company Secretary 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 2019 AGM was held on 31 December 2019. The notice of 2019 AGM was sent to the Shareholders at least 20 clear business days before the 2019 AGM.

An EGM for approving the discloseable and connected transaction was held on 31 December 2019. The notice of this EGM was sent to the Shareholders at least 10 clear business days before this EGM.

Another EGM for approving the amendment of the Articles of Association was held on 29 September 2020. The notice of this EGM was sent to the Shareholders at least 21 days before this EGM according to the preceding Articles of Association.

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 2019 AGM to answer the Shareholders' questions.

At the general meetings, each substantially separate issue will be considered by a separate resolution, including the election of individual director and amendment of the Articles of Associations, and the poll procedures will be clearly explained.

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

In order to modernize and update the constitutional document of the Company, as well as to bring it in line with the relevant legislations and regulations, especially the Companies Ordinance, in the EGM held on 29 September 2020 (the "September 2020 EGM"), the Shareholders approved to remove the preceding memorandum of association and articles of association of the Company and adopt a new set of Articles of Association to replace the preceding memorandum of association and articles of association with effect from the date of passing the relevant special resolution at the September 2020 EGM. Details of the amendments are set out in the circular dated 4 September 2020 and it was sent to the Shareholders before the September 2020 EGM.

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 of Pokfulam Development Company Limited (the "Company" and the "Directors", respectively) present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 September 2020 (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 Monday, 8 February 2021.

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 "CO"), 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 a global pandemic which seriously affects economic activity or the ability of businesses to operate smoothly. 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 2020 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 2020 were HK$5,425.1 million (2019: HK$5,536.2 million).

As at 30 September 2020, the Group's total pledged bank deposits, and bank balances and cash amounted to HK$158.2 million (2019: HK$186.0 million), of which over 56% (2019: 56%) was denominated in Hong Kong dollars ("HK$"), 24% (2019: 30%) was denominated in United States dollars ("US$") and 20% (2019: 13%) was denominated in Renminbi. As at 30 September 2020, the Group's securities investments of HK$55.6 million (2019: HK$37.7 million) was denominated in US$. 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 2020, the Group's total borrowings, which was denominated in HK$, was HK$55.0 million (2019: HK$55.0 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:

	2020	2019
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**55.0**	55.0
After one year but within two years	**–**	–
After two years but within five years	**–**	–
After five years	**–**	–
	55.0	55.0

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 2020 and the relevant loan agreement contains a repayment on demand clause) is classified under current liabilities. The bank borrowings carry interest at Hong Kong InterBank Offer Rate (HIBOR)/the bank's Cost of Fund plus a margin.

As at 30 September 2020, the Group had undrawn banking facilities of HK$466.0 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 2020, the debt to equity ratio, based on the Group's total borrowings of HK$55.0 million and the Shareholders' funds of HK$5,425.1 million, was 1.0%, as compared with 1.0% as at 30 September 2019.

As at 30 September 2020, (i) investment properties of the Group with a carrying amount of approximately HK$4,810.0 million (2019: approximately HK$4,906.0 million); (ii) ownership interests in leasehold land held for own use and building of the Group with a carrying amount of approximately HK$2.2 million (2019: approximately HK$2.3 million); and (iii) time deposit of the Group with a carrying amount of approximately HK$34.9 million (2019: Nil) were pledged to banks to secure the general banking facilities granted to the Group.

Treasury Policies

The principal investment objectives of the Company are to seek capital appreciation with a view to enhance the application of the Group's surplus funds in accordance with our policies for financial investments and for hedging purpose. For short-term cash investments with horizon of not more than one year, the surplus cash and intended to place as time deposits in licensed banks in Hong Kong or investment in debt or similar financial instruments with a pre-determined minimum credit rating. Any other longer term investments made by the Group from its surplus funds are intended to be financial investments with horizon of over one year, with no fixed cut-off period for equities, and up to 7 years for debt instruments, private equity and private equity funds.

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 2020, the Group had 115 (2019: 104) employees. The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK$26.5 million (2019: HK$24.8 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 73 of this annual report and in note 25 to the Consolidated Financial Statements, respectively.

As at 30 September 2020, the Company's reserves available for distribution to the Shareholders represented the retained profits of HK$886.1 million (2019: HK$921.0 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 2020 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 (2019: 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 approximately 19% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 74% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 49%.

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.

CONSTITUTIONAL DOCUMENTS

In order to modernize and update the constitutional document of the Company, as well as to bring it in line with the relevant legislations and regulations, especially the CO, in the extraordinary general meeting held on 29 September 2020 (the "September 2020 EGM"), the Shareholders approved to remove the preceding memorandum of association and articles of association of the Company and adopt a new set of articles of association (the "Articles of Association") to replace the preceding memorandum of association and articles of association with effect from the date of passing the relevant special resolution at the September 2020 EGM. Details of the amendments are set out in the circular dated 4 September 2020 and it was sent to the Shareholders before the September 2020 EGM.

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") *(retired on 1 December 2020)*
Mr. Li Kwok Sing, Aubrey ("Mr. Li")
Mr. Sit Hoi Wah, Kenneth ("Mr. Sit")
Mr. Seto Gin Chung, John ("Mr. Seto")

In accordance with article 123 of the Articles of Association, Mr. Abraham Wong and Mr. Sit 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.

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 Mr. Sit as an INED 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 Mr. Sit and is of the view that Mr. Sit has provided valuable contributions to the Company and has demonstrated his abilities to provide independent, balanced and objective view to the Company's affairs. The Board is also of the view that Mr. Sit would bring to the Board his own perspective, skills and experience, as further described in the respective biographies as set out on pages 14 to 16 of this annual report, and can contribute to the diversity of the Board taking into account his educational background and professional experience. The Board believes that his re-election as INED 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 the Senior Management are set out on pages 14 to 16 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
- Ms. Wong Chin Yan
- Mr. Wong Chin Shiong
- 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 CO when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the CO.

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 2020, 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

	Number of ordinary shares held		
Name of Directors/ Chief executive	Personal interests	Total	Approximate percentage of interest in the issued shares of EHL
Mr. Abraham Wong	10	10	0.1%

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 2020.

Save as disclosed above, as at 30 September 2020, 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 2020, 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 of the Company, 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) Company Limited ("B.L. Holdings"), 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 B.L. Holdings 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"). B.L. Holdings 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 notification to the Stock Exchange, announcement, independent shareholders' approval and annual reporting requirements under Chapters 14 and 14A of the Listing Rules. The transaction was completed on 24 January 2020.

The Directors are of the view that the Acquisition is in line with the long term business strategy of the Group and strengthens the Group's position in the industry of trading of visual and sound equipment. Upon completion, controlling interest of the Company in EHL further increased, enabling the Company to consolidate its control in EHL, develop the business of EHL and its subsidiaries 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$845,000 (2019: HK$818,000).

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

CHANGES IN DIRECTORS' INFORMATION

Mr. Li retired as the independent non-executive director of Kunlun Energy Company Limited (a company listed on the Stock Exchange) on 27 May 2020.

Save as aforementioned, 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 35 to 51 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 the 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 Wednesday, 27 January 2021. 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 Friday, 22 January 2021 to Wednesday, 27 January 2021 (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 Thursday, 21 January 2021.

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 Thursday, 4 February 2021 to Monday, 8 February 2021 (both days inclusive), during which period no transfer of 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 Wednesday, 3 February 2021.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$55,000.

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, 7 December 2020

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TO THE SHAREHOLDERS OF POKFULAM DEVELOPMENT COMPANY LIMITED
博富臨置業有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 71 to 161, which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the 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 2020, 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$5,118,941,000 as at 30 September 2020, with a fair value loss of approximately HK$114,033,000 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 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, 7 December 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	NOTES	2020 HK$'000	2019 HK$'000 Re-presented
Revenue	5	140,010	139,223
Other income and gains	6	27,280	26,429
Costs:			
Property and related costs			
– property investment		(14,430)	(11,321)
– property management		(7,839)	(4,945)
Trading of goods costs		(23,659)	(22,415)
Staff costs		(26,479)	(24,843)
Other expenses		(16,867)	(13,087)
		(89,274)	(76,611)
Profit before changes in fair value of financial assets at fair value through profit or loss and investment properties		78,016	89,041
Decrease in fair value of financial assets at fair value through profit or loss		(11,585)	(4,850)
(Decrease)/increase in fair value of investment properties	13	(114,033)	65,885
		(47,602)	150,076
Finance costs on bank borrowings		(1,850)	(1,912)
Share of losses of joint ventures		(393)	(3,386)
(Loss)/profit before income tax	7	(49,845)	144,778
Income tax expense	8	(9,754)	(8,627)
(Loss)/profit for the year		(59,599)	136,151
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value on equity instruments designated at fair value through other comprehensive income, net of tax		(8,200)	(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		215	1,294
Exchange gain/(loss) arising on translation of financial statements of foreign operations		4,999	(1,769)
Exchange gain/(loss) arising from long term advances to a joint venture		1,219	(2,262)
Other comprehensive income for the year, net of tax		(1,767)	(41,237)
Total comprehensive income for the year		(61,366)	94,914
(Loss)/profit for the year attributable to:			
Owners of the Company		(59,535)	136,847
Non-controlling interests		(64)	(696)
		(59,599)	136,151
Total comprehensive income for the year attributable to:			
Owners of the Company		(61,302)	95,610
Non-controlling interests		(64)	(696)
		(61,366)	94,914
		HK$	HK$
(Loss)/earnings per share	10	(0.54)	1.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	NOTES	2020 *HK$'000*	2019 *HK$'000*
Non-current Assets			
Investment properties	*13*	5,118,941	5,213,818
Property, plant and equipment	*14*	5,335	4,414
Interests in joint ventures	*15*	31,984	20,744
Amount due from a joint venture	*15*	115,831	113,352
Deposits and prepayments		3,176	4,098
Debt instruments at fair value through other comprehensive income	*16*	36,076	37,720
Financial assets at fair value through profit or loss	*18*	53,712	38,344
Equity instrument designated at fair value through other comprehensive income	*16*	18,000	26,200
		5,383,055	5,458,690
Current Assets			
Inventories	*17*	16,582	11,822
Financial assets at fair value through profit or loss	*18*	20,690	26,502
Debt instruments at fair value through other comprehensive income	*16*	1,579	–
Amount due from a joint venture	*15*	1,022	–
Loan to a joint venture	*15*	–	5,534
Trade and other receivables	*19*	10,785	8,259
Deposits and prepayments		7,176	8,737
Tax recoverable		26	–
Pledged bank deposits	*20*	34,882	–
Bank balances and cash	*20*	123,289	185,992
		216,031	246,846
Current Liabilities			
Trade and other payables	*21*	39,954	33,822
Rental and management fee deposits		24,474	25,043
Provision for taxation		7,272	6,934
Bank borrowings, secured	*23*	55,000	55,000
		126,700	120,799
Net Current Assets		89,331	126,047
Total Assets less Current Liabilities		5,472,386	5,584,737
Capital and Reserves			
Share capital	*22*	146,134	146,134
Reserves		5,278,939	5,390,101
Equity attributable to owners of the Company		5,425,073	5,536,235
Non-controlling interests		28	6,091
Total Equity		5,425,101	5,542,326
Non-current Liability			
Deferred taxation	*24*	47,285	42,411
		5,472,386	5,584,737

The consolidated financial statements on pages 71 to 161 were approved and authorised for issue by the Board of Directors on 7 December 2020 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 2020

	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*
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 ("FVOCI")	–	–	1,294	–	–	1,294	–	1,294
– Equity instrument designated at FVOCI	–	–	–	(38,500)	–	(38,500)	–	(38,500)
Exchange loss 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 and 1 October 2019	146,134	1,477	1,060	18,200	5,369,364	5,536,235	6,091	5,542,326
Loss for the year	–	–	–	–	(59,535)	(59,535)	(64)	(59,599)
Other comprehensive income for the year:								
Changes in fair value on:								
– Debt instruments at FVOCI	–	–	215	–	–	215	–	215
– Equity instruments designated at FVOCI	–	–	–	(8,200)	–	(8,200)	–	(8,200)
Exchange gain arising on translation of foreign operations	–	4,999	–	–	–	4,999	–	4,999
Exchange gain arising from long term advances to a joint venture	–	1,219	–	–	–	1,219	–	1,219
Total comprehensive income for the year	–	6,218	215	(8,200)	(59,535)	(61,302)	(64)	(61,366)
Final dividend for 2019 paid *(Note 9)*	–	–	–	–	(37,461)	(37,461)	–	(37,461)
Interim dividend for 2020 paid *(Note 9)*	–	–	–	–	(4,407)	(4,407)	–	(4,407)
Transaction with non-controlling interests *(Note 33(d))*	–	–	–	–	(7,992)	(7,992)	(5,999)	(13,991)
As at 30 September 2020	146,134	7,695	1,275	10,000	5,259,969	5,425,073	28	5,425,101

* These reserve accounts comprise the consolidated reserves of approximately HK$5,278,939,000 in the consolidated statement of financial position as at 30 September 2020 (2019: HK$5,390,101,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	NOTES	2020 HK$'000	2019 HK$'000
Operating activities			
(Loss)/profit before income tax		(49,845)	144,778
Adjustments for:			
Decrease/(increase) in fair value of investment properties	13	114,033	(65,885)
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		11,585	4,850
Written off of property, plant and equipment	7	6	79
Depreciation on owned property, plant and equipment	7	951	956
Depreciation on right-of-use assets	7	8	–
Dividend income from equity instrument designated at FVOCI	6	(10,455)	(13,367)
Imputed interest income on amount due from a joint venture	6	(6,692)	(6,692)
Interest income		(3,345)	(5,551)
Dividend income from financial assets at FVTPL		(1,653)	(2,008)
Finance costs on bank borrowings		1,850	1,912
Share of losses of joint ventures		393	3,386
Operating cash flows before working capital changes		56,836	62,458
Increase in inventories		(4,760)	(1,722)
Increase in trade and other receivables, deposits and prepayments		(43)	(32)
Increase in trade and other payables		7,363	8,545
Cash generated from operations		59,396	69,249
Interest received		3,345	3,819
Dividend received		1,653	2,008
Income tax paid		(4,568)	(9,977)
Net cash generated from operating activities		59,826	65,099

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	NOTES	2020 HK$'000	2019 HK$'000
Investing activities			
Purchase of property, plant and equipment		(1,886)	(1,183)
Addition of investment properties		(19,156)	(59,534)
Investment in a listed debt securities investment classified as debt instruments at FVOCI		–	(28,738)
Dividend received from equity instrument designated at FVOCI		10,455	13,367
Investment in a financial asset at FVTPL		(21,141)	(34,785)
Repayment from joint ventures		2,292	13,594
Increase in pledged bank deposits		(34,882)	–
Net cash used in investing activities		(64,318)	(97,279)
Financing activities			
Bank borrowings raised	26	21,004	30,000
Repayment of bank borrowings	26	(21,004)	(15,000)
Dividends paid		(41,868)	(41,868)
Interest paid	26	(1,850)	(1,912)
Transaction with non-controlling interests		(15,791)	–
Net cash used in financing activities		(59,509)	(28,780)
Net decrease in cash and cash equivalents		(64,001)	(60,960)
Cash and cash equivalents at the beginning of the financial year		185,992	247,630
Effect of foreign exchange rate changes		1,298	(678)
Cash and cash equivalents at the end of the financial year		123,289	185,992
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		123,289	185,992

1. GENERAL

Pokfulam Development Company Limited (the "Company") is a public limited liability company incorporated in Hong Kong and its issued Shares (the "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")

(a) Adoption of new or revised HKFRSs

In 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 which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 October 2019:

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

HKFRS 16 – Lease ("HKFRS 16")

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

HKFRS 16 (Continued)

(b) Lessee accounting

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which on the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability on the commencement date of a lease.

(i) Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made on or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

HKFRS 16 (Continued)

(b) Lessee accounting (Continued)

(ii) Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid on the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid on the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

There are recognition exemptions for short-term leases. Short-term leases are leases with a lease term of 12 months or less on the commencement date. Payments associated with short-term leases are recognised on a straight-line basis as expenses in profit or loss.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

HKFRS 16 (Continued)

(c) Lessor accounting

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(d) Transitional impact and practice expedients applied

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 October 2019. The Group has also applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 October 2019). The comparative information presented as at 30 September 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16. There was no impact to the opening balance as at 1 October 2019 upon the initial application of HKFRS 16.

The ownership interests in leasehold land held for own use carried at depreciated cost in Hong Kong, regarded as right-of-use assets, has been included in property, plant and equipment upon adoption of HKFRS 16.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

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

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

Amendments to HKFRS 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.

Amendments to HKAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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.

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.

2. ADOPTION OF HKFRS (CONTINUED)

(a) Adoption of new or revised HKFRSs (Continued)

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.

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.

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.

Saved as disclosed above, the adoption of these new or revised HKFRSs does not have significant impact on the Group's financial performance and financial position.

2. ADOPTION OF HKFRSs (CONTINUED)

(b) 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 17	Insurance Contracts[6]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018-2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after a date to be determined
6 The amendments were originally intended to be effective for periods beginning on or after 1 January 2021. The effective date has now been extended to 1 January 2023.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

2. ADOPTION OF HKFRSs (CONTINUED)

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

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update the reference to the latest version of Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date.

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.

Amendments to HKFRS 16 – COVID-19 Related Rent Concessions

The amendments provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification and require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The criteria must be satisfied for a rent concession to qualify for the practical expedient.

2. ADOPTION OF HKFRSs (CONTINUED)

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments to HKAS 1 affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They:

- clarify that the classification of liabilities as current or non-current should be based on the right that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended

The amendments clarify the accounting requirement for proceeds received by an entity from selling items produced while testing an item of property, plant and equipment before it is used for its intended purpose. An entity recognise the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

2. ADOPTION OF HKFRSs (CONTINUED)

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

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprise the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental cost of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 9, Financial Instruments

The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 16, Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company anticipate that the application of these new or revised HKFRSs will have no material impact on the Group's future financial statements.

3. BASIS OF PREPARATION AND 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 accounted for in accordance with HKFRS 16 (since 1 October 2019) or HKAS 17 (before application of HKFRS 16), 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*.

Certain comparative amounts have been re-presented to conform with the current year's presentation to better reflect the nature of the financial performance of the Group.

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. BASIS OF PREPARATION AND 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 of 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. BASIS OF PREPARATION AND 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 Group assesses whether there is an objective evidence that the investment in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

Property, plant and equipment

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

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

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold Land	Over the term of the lease
Buildings	Over the shorter of the term of the lease of the land, or 50 years
Leasehold improvement	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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

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

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

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

Inventories

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

Foreign currencies

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

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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. BASIS OF PREPARATION AND 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

(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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (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 FVOCI. 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (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 other comprehensive income. 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 ("ECL") 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

(A) Accounting policies applied from 1 October 2019

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. 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.

Accounting as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. For right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at cost less accumulated depreciation and any accumulated losses.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

(A) Accounting policies applied from 1 October 2019 (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

(B) Accounting policies applied until 30 September 2019

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.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. BASIS OF PREPARATION AND 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 (Note 16); and
- Financial assets at fair value through profit or loss (Note 18).

(c) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 September 2020 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 2020 is approximately HK$5,118,941,000 (2019: HK$5,213,818,000).

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

(d) Impairment of 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of goods	33,124	29,571
Building management services	9,158	9,123
	42,282	38,694
Revenue from other sources		
– Rental income	96,075	98,521
– Dividend income	1,653	2,008
	97,728	100,529
Total revenue	140,010	139,223

The following table provides information about timing of revenue recognition:

	Property investment and management		Trading of goods		Securities investment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At a point in time	–	–	33,124	29,571	–	–	33,124	29,571
Over time	9,158	9,123	–	–	–	–	9,158	9,123
	9,158	9,123	33,124	29,571	–	–	42,282	38,694
Revenue from other sources	96,075	98,521	–	–	1,653	2,008	97,728	100,529
	105,233	107,644	33,124	29,571	1,653	2,008	140,010	139,223

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	–	investment in securities

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

Year ended 30 September 2020

	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	105,233	33,124	1,653	140,010	–	140,010
Inter-segment	1,967	969	–	2,936	(2,936)	–
	107,200	34,093	1,653	142,946	(2,936)	140,010
Segment (loss)/profit *(Note i and ii)*	(50,642)	2,386	(10,645)	(58,901)	–	(58,901)
Unallocated other income and gains						27,280
Corporate expenses						(15,981)
Finance costs on bank borrowings						(1,850)
Share of losses of joint ventures						(393)
Loss before income tax						(49,845)

Notes: i. Segment loss of property investment and management business included a decrease in fair value of investment properties of approximately HK$114,033,000.

ii. Segment loss of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK$11,585,000.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 and ii)*	148,958	584	(3,407)	146,135	–	146,135
Unallocated other income and gains						26,294
Corporate expenses						(22,353)
Finance costs on bank borrowings						(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 business included an increase in fair value of investment properties of approximately HK$65,885,000.

ii. Segment loss of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK$4,850,000.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit/(loss) represents the profit earned/(loss incurred) by each segment without allocation of certain other income and gains (mainly including interest income, dividend income from equity instrument at FVOCI, exchange gain and government subsidies), corporate expenses, finance costs, share of losses of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

During the year, for the purpose of better assessment of individual segment performance, the profit earned/(loss incurred) in the investment of an unlisted equity instrument measured at FVTPL previously not included in the reportable segment is now presented under securities investment business. Therefore, certain prior year information had been re-presented to conform with current year presentation.

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.

Other segment information

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

Year ended 30 September 2020

	Property investment and management	Trading of goods	Securities investment
	HK$'000	*HK$'000*	*HK$'000*
Provision for impairment on trade and other receivables	4,377	163	–
Depreciation on property, plant and equipment	618	68	–
Written off of property, plant and equipment	6	–	–

Year ended 30 September 2019

	Property investment and management	Trading of goods	Securities investment
	HK$'000	*HK$'000*	*HK$'000*
Provision for impairment on trade and other receivables	728	–	–
Depreciation on property, plant and equipment	469	53	–
Written off of property, plant and equipment	79	–	–

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 regards 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 OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Dividend income from equity instrument designated at FVOCI	10,455	13,367
Imputed interest income on amount due from a joint venture	6,692	6,692
Interest income		
– Bank deposits	1,782	2,932
– Loan to a joint venture	55	1,380
– Debt instruments at FVOCI	1,508	1,239
Exchange gain	3,601	–
Sundry income *(Note)*	3,187	819
	27,280	26,429

Note: Sundry income include the unconditional and one-off government subsidies from the Anti-epidemic Fund launched by Hong Kong Special Administrative Region Government.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	670	641
Written off of property, plant and equipment	6	79
Provision for repair and maintenance	4,415	–
Depreciation on property, plant and equipment		
– owned property, plant and equipment	951	956
– right-of-use-assets including within leasehold land in Hong Kong under long lease	8	–
Staff costs (including directors' emoluments)	26,479	24,843
Provision for impairment on amounts due from joint ventures	1,112	2,755
Reversal of impairment on loan to a joint venture	(840)	(490)
Reversal of inventories written down	(1,638)	(3,271)
Provision for impairment on trade and other receivables	4,540	728
Provision for impairment on deposits	38	–
Net foreign exchange (gain)/loss	(3,601)	2,934
Gross rental income from investment properties	(96,075)	(98,521)
Less: Direct operating expenses arising from investment properties that generated rental income	14,430	11,321
	(81,645)	(87,200)

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	5,042	6,020
– PRC Enterprise Income Tax	129	1,115
Overprovision in prior years	(291)	–
	4,880	7,135
Deferred tax *(Note 24)*	4,874	1,492
	9,754	8,627

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 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% (2019: 25%) for the years ended 30 September 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax	(49,845)	144,778
Tax calculated at the rates applicable to profits or losses in the tax jurisdiction concerned	(8,224)	23,887
Tax effect of non-deductible expenses	21,204	1,987
Tax effect of non-taxable income	(3,700)	(18,151)
Tax effect of share of losses of joint ventures	65	583
Tax effect of tax losses not recognised	559	249
Overprovision in prior years	(291)	–
Others	141	72
Income tax expense	9,754	8,627

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2019 of HK34 cents per ordinary share (2019: for the year ended 30 September 2018 of HK34 cents per ordinary share)	**37,461**	37,461
Interim dividend for the year ended 30 September 2020 of HK4 cents per ordinary share (2019: for the year ended 30 September 2019 of HK4 cents per ordinary share)	**4,407**	4,407
	41,868	41,868
Dividend proposed:		
Final dividend for the year ended 30 September 2020 of HK34 cents per ordinary share (2019: for the year ended 30 September 2019 of HK34 cents per ordinary share)	**37,461**	37,461

The final dividend of HK34 cents (2019: 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. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to the owners of the Company of approximately HK$59,535,000 (2019: profit attributable to owners of the Company of approximately HK$136,847,000) and on 110,179,385 (2019: 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 (2019: seven) 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 2020				
Executive Directors:				
Wong Tat Chang, Abraham	110	2,252	–	2,362
Wong Tat Kee, David	110	–	–	110
Wong Tat Sum, Samuel	110	–	–	110
Independent non-executive Directors:				
Lam Hsieh Lee Chin, Linda (retired on 1 December 2020)	110	–	–	110
Li Kwok Sing, Aubrey	110	150	–	260
Sit Hoi Wah, Kenneth	110	120	–	230
Seto Gin Chung, John	110	60	–	170
	770	2,582	–	3,352
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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

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 2020, one (2019: one) was a director of the Company whose emoluments have been included in note 11 above. The emoluments of the remaining four (2019: four) individuals were as follows:

	2020	2019
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	4,346	4,184
Performance related bonus	675	718
Contributions to retirement benefit scheme	79	79
	5,100	4,981

Their emoluments were within the following bands:

	2020	2019
	No. of employees	No. of employees
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	1

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 October 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 and 1 October 2019	5,213,818
Addition during the year	**19,156**
Decrease in fair value recognised in the profit or loss	**(114,033)**
At 30 September 2020	**5,118,941**

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

	2020	2019
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	(34,844)	42,989
Commercial	(80,312)	14,728
Industrial	(1,400)	5,900
Properties located in the PRC:		
Residential *(Note)*	2,523	2,268
	(114,033)	65,885

Note: Revenue contributed by the investment properties with fair value of approximately HK$90,861,000 (2019: HK$88,338,000) located in the PRC is approximately HK$1,408,000 (2019: HK$1,791,000) for the year ended 30 September 2020.

13. INVESTMENT PROPERTIES (CONTINUED)

(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 2020 and 2019 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by Cushman & Wakefield Limited, which is a firm of independent qualified external valuers not connected with the Group, a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method or income capitalisation method, where appropriate. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, being the reversion yield, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

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

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.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2020

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 1.75% 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.
		(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$11.7 to HK$115.9 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.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2020 (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
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 RMB94 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 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.
		(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.

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
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 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.

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.

13. INVESTMENT PROPERTIES (CONTINUED)

(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.

	2020	2019
	HK$'000	*HK$'000*
Opening balance (level 3 recurring fair value)	**5,213,818**	5,087,890
Addition during the year	**19,156**	60,043
(Decrease)/increase in fair value of investment properties	**(114,033)**	65,885
Closing balance (level 3 recurring fair value)	**5,118,941**	5,213,818

(e) The Group's certain investment properties are pledged to secure the general banking facilities (note 28) and bank borrowings (note 23) granted to the Group.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong under long lease	Buildings	Leasehold improvement, furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 October 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 and 1 October 2019	**1,172**	**5,269**	**25,948**	**3,212**	**35,601**
Additions	**–**	**–**	**1,688**	**198**	**1,886**
Disposals	**–**	**–**	**(1,697)**	**–**	**(1,697)**
At 30 September 2020	**1,172**	**5,269**	**25,939**	**3,410**	**35,790**
ACCUMULATED DEPRECIATION					
At 1 October 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 and 1 October 2019	**330**	**3,799**	**24,529**	**2,529**	**31,187**
Provided for the year	**8**	**105**	**699**	**147**	**959**
Eliminated on disposals	**–**	**–**	**(1,691)**	**–**	**(1,691)**
At 30 September 2020	**338**	**3,904**	**23,537**	**2,676**	**30,455**
CARRYING VALUES					
At 30 September 2020	**834**	**1,365**	**2,402**	**734**	**5,335**
At 30 September 2019	842	1,470	1,419	683	4,414

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 October 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The carrying value of the Group's right-of-use assets included in property, plant and equipment as at 1 October 2019 and 30 September 2020 represented the leasehold land in Hong Kong under long lease and carried at depreciated cost.

Right-of-use assets

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

	At 30 September 2020	At 1 October 2019
	HK$'000	*HK$'000*
Ownership interests in leasehold land held for own use, carried at depreciated cost in Hong Kong*	834	842

* The Group had an ownership interest in leasehold land held for own use as head office in Hong Kong. The lease term is long lease. Lump sum payments were made upfront to lease the land, and there are no ongoing payments to be made under the terms of the land lease.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020
	HK$'000
Depreciation of right-of-use assets by class of underlying asset:	
Ownership interests in leasehold land	8

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

	2020	2019
	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	70,792	64,359
Dividend declared	(62,200)	(62,200)
Share of post-acquisition profits	13,536	13,929
Cumulative exchange gain arising from long term advances	3,528	2,309
Exchange realignment	4,325	344
	31,984	20,744
Amount due from a joint venture – non-current *(Note ii)*	115,831	113,352
Amount due from a joint venture – current *(Note iii)*	1,022	–
Loan to a joint venture – current *(Note iv)*	–	5,534

Notes:

i. As at 30 September 2020, the cost of investments comprised of two investments in joint ventures of HK$3,000 and HK$2,000,000 respectively (2019: HK$3,000 and HK$2,000,000 respectively).

The investment in a joint venture of HK$3,000 (2019: HK$3,000) represents a 33¹/₃% 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 (2019: HK$2,000,000) represents a 50% interest in the issued share capital of Elevant – Garde Limited ("EVG"), a company incorporated in Hong Kong. EVG 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$6,433,000 (2019: HK$6,693,000) 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 2020 was 5% (2019: 5.125%) per annum.

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK$58,095,000 (2019: HK$54,800,000) receivable by the Group has not yet been settled as at 30 September 2020 and was included in the balance of amount due from a joint venture at 30 September 2020. The remaining balance of amount due from a joint venture relate to long term advances made by the Group to the joint venture years ago which are denominated in HKD, 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.

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

Notes: (Continued)

iii The amount due from a joint venture is unsecured, interest free, and is expected to be repaid within twelve months from the end of the reporting period.

iv. As at 30 September 2019, loan to a joint venture of HK$1,425,000 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 was expected to be repaid within twelve months together with the loan. At 30 September 2019, provision for impairment of HK$840,000 was made on loan to a joint venture. The loan was fully repaid during the year.

v. 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:

	HK$'000
At 1 October 2018	12,291
Provision for impairment	2,755
At 30 September 2019 and 1 October 2019	**15,046**
Provision for impairment	**1,112**
At 30 September 2020	**16,158**

Loan to a joint venture:

	HK$'000
At 1 October 2018	1,330
Reversal of impairment	(490)
At 30 September 2019 and 1 October 2019	840
Reversal of impairment	(840)
At 30 September 2020	–

15. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue	31,693	30,134
Expenses	(31,828)	(37,030)
Loss for the year	(135)	(6,896)

	2020	2019
	HK$'000	*HK$'000*
Financial position		
Non-current assets	1,705	1,724
Current assets	555,030	512,154
Current liabilities	(65,615)	(67,404)
Non-current liabilities	(395,561)	(385,688)
Net assets	95,559	60,786

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

	2020	2019
	HK$'000	*HK$'000*
Net assets	95,559	60,786
Proportion of the Group's ownership interest in Silver Gain	$33^1/_3$%	$33^1/_3$%
	31,853	20,262

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

	2020	2019
	HK$'000	*HK$'000*
The loss and total comprehensive income for the year	(696)	(2,174)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Debt instruments at FVOCI		
– Listed debt securities investment, at fair value and classified as non-current asset	36,076	37,720
– Listed debt securities investment, at fair value and classified as current asset	1,579	–
Equity instrument designated at FVOCI		
– Unlisted equity investment, at fair value and classified as non-current asset	18,000	26,200

The equity investment was irrevocably designated at FVOCI 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 investment revaluation reserve (non-recycling) to retained profits when the relevant instrument is derecognised.

The debt securities investment is listed in Hong Kong and denominated in United States Dollars ("USD").

17. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Trading inventories	20,237	17,115
Less: Write-down of inventories	(3,655)	(5,293)
	16,582	11,822

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Non-current portion *(Note)*		
– Unlisted equity instrument in Hong Kong, at fair value	35,768	38,344
– Unlisted equity instrument in the United States, at fair value	17,944	–
	53,712	38,344
Current portion		
– Listed equity securities in Hong Kong, at fair value	20,690	26,502

Note:

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

There is a contractual obligation for the unlisted investee companies to distribute proceeds from the sales of its investments or residual assets upon termination of the investee companies to its shareholders. The changes in fair value of the unlisted equity instruments during the year is recognised in profit or loss and such the investments were recorded as financial asset at FVTPL as at 30 September 2020 and 2019 according to the relevant exemption in HKAS 32 and HKFRS 9.

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.

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	8,597	4,697
Less: Provision for impairment	(2,674)	(130)
Trade receivables, net	5,923	4,567
Other receivables	8,516	5,350
Less: Provision for impairment	(3,654)	(1,658)
Other receivables, net	4,862	3,692
Total trade and other receivables	10,785	8,259

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	5,065	3,763
31 – 60 days	747	430
61 – 90 days	111	42
Over 90 days	–	332
	5,923	4,567

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.

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

	HK$'000
At 1 October 2018	1,060
Provision for impairment	728
At 30 September 2019 and 1 October 2019	1,788
Provision for impairment	4,540
At 30 September 2020	6,328

20. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carry interest rates at prevailing rates which range from 0.30% to 2.47% (2019: 0.01% to 2.38%) per annum.

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

	2020	2019
	HK$'000	*HK$'000*
HKD	88,082	105,266
RMB	31,859	24,333
USD	38,163	56,090
Others	67	303
	158,171	185,992

The Group had cash and bank balances denominated in RMB of approximately RMB14,486,000 (2019: RMB9,676,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

The Group's pledged bank deposits represented deposits pledged to bank to secure the general banking facilities granted to the Group as set out in note 28 to the consolidated financial statements and will be released upon expiration of the facilities.

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 payables comprise:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	1,600	1,112
31 – 60 days	450	53
61 – 90 days	165	5
Over 90 days	352	2
	2,567	1,172
Other payables	18,632	18,955
Renovation fee and retention payable	3,102	3,080
Receipt in advance	1,982	2,128
Contract liabilities *(Note)*	8,437	3,626
Provision for repair and maintenance	5,234	4,861
	39,954	33,822

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. Contract liabilities amounted to HK$1,922,000 as at 1 October 2019 were recognised as revenue (2019: HK$3,001,000) in the current reporting period.

As at 30 September 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to sale of goods was approximately HK$15,233,000 (2019: HK$6,551,000). The directors expect that the unsatisfied performance obligation will be recognised as revenue varying from 1 to 3 years (2019: 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 2018, 30 September 2019, 1 October 2019 and 30 September 2020		
– Ordinary shares with no par value	110,179,385	146,134

23. BANK BORROWINGS, SECURED

	2020	2019
	HK$'000	*HK$'000*
Repayable based on the scheduled repayment date set out in the loan agreements:		
– Within one year or on demand	55,000	55,000

The Group's bank borrowings of HK$55,000,000 (2019: HK$55,000,000) contain a repayment on demand clause and therefore are shown under current liabilities.

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

The effective interest rates of the bank borrowings is ranged from 1.73% to 2.05% (2019: 3.82% to 3.91%) per annum.

The bank borrowings are secured by the Group's certain investment properties amounted to approximately HK$1,111,000,000 as at 30 September 2020 (2019: HK$1,120,000,000).

At 30 September 2020, the Group had unutilised bank facilities of HK$466,000,000 (2019: HK$436,000,000).

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 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 and 1 October 2019	43,795	140	3,980	(5,019)	(485)	42,411
Charge/(credit) to profit or loss	4,960	163	(1,268)	1,019	–	4,874
At 30 September 2020	48,755	303	2,712	(4,000)	(485)	47,285

At the end of the reporting period, the Group had unused tax losses of HK$29,951,000 (2019: HK$32,739,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$24,242,000 (2019: HK$30,418,000). No deferred tax asset has been recognised on the tax losses of HK$5,709,000 (2019: HK$2,321,000) 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:

	2020	2019
	HK$'000	*HK$'000*
Non-current Assets		
Investment properties	4,250,980	4,341,980
Property, plant and equipment	2,985	2,540
Investments in subsidiaries	87,414	64,909
Amounts due from subsidiaries	524,942	485,197
Deposits and prepayments	3,176	4,098
Debt instruments at FVOCI	36,076	37,720
Equity instrument designated at FVOCI	18,000	26,200
	4,923,573	4,962,644
Current Assets		
Debt instruments at FVOCI	1,579	–
Trade and other receivables	2,052	2,665
Deposits and prepayments	641	840
Pledged bank deposits	34,882	–
Bank balances and cash	80,771	170,771
	119,925	174,276
Current Liabilities		
Trade and other payables	17,633	18,527
Rental and management fee deposits	17,934	17,696
Amounts due to subsidiaries	7,066	21,296
Bank borrowings, secured	15,000	15,000
Provision for taxation	4,284	2,762
	61,917	75,281
Net Current Assets	58,008	98,995
Total Assets less Current Liabilities	4,981,581	5,061,639
Capital and Reserve		
Share capital	146,134	146,134
Reserves	4,808,162	4,892,561
	4,954,296	5,038,695
Non-current Liability		
Deferred taxation	27,285	22,944
	4,981,581	5,061,639

The financial statements were approved by the board of directors on 7 December 2020 and were signed on its behalf.

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

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Below is the reserves of the Company at the end of the reporting period:

	Investment revaluation reserve (recycling)	Investment revaluation reserve (non-recycling)	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2018	(234)	56,700	4,776,861	4,833,327
Profit for the year	–	–	138,308	138,308
Other comprehensive income for the year:				
Changes in fair value on:				
– Debt instruments at FVOCI	1,294	–	–	1,294
– Equity instrument designated at FVOCI	–	(38,500)	–	(38,500)
Final dividend for 2018 paid	–	–	(37,461)	(37,461)
Interim dividend for 2019 paid	–	–	(4,407)	(4,407)
At 30 September 2019 and 1 October 2019	1,060	18,200	4,873,301	4,892,561
Loss for the year	–	–	(34,546)	(34,546)
Other comprehensive income for the year:				
Changes in fair value on:				
– Debt instruments at FVOCI	215	–	–	215
– Equity instrument designated at FVOCI	–	(8,200)	–	(8,200)
Final dividend for 2019 paid	–	–	(37,461)	(37,461)
Interim dividend for 2020 paid	–	–	(4,407)	(4,407)
At 30 September 2020	1,275	10,000	4,796,887	4,808,162

25. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2020 and 2019, 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		
		2020	2019	2020	2019	
		%	%	%	%	
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	99.80	51.96	–	–	Trading of visual and sound equipment and investment holding
Elephant Radio (China) Company Limited	HK$2	–	–	99.80	51.96	Inactive
First Madison Holdings Limited *(i)*	US$10	100	100	–	–	Investment holding
Gold Channel Investments Limited *(iv)*	HK$1	100	–	–	–	Investment holding
Marsbury Base Limited	HK$10	100	100	–	–	Provision of trustee and nominee services
Metrocenter Holdings Limited *(iv)*	HK$10,000	100	–	–	–	Dormant
Metropoint Holdings Limited	HK$10,000	100	100	–	–	Investment holding
Metrowealth Limited *(iv)*	HK$10,000	100	–	–	–	Dormant

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		
		2020	2019	2020	2019	
		%	%	%	%	
Monte Bella International Holdings Limited *(i)*	US$10	100	100	–	–	Investment holding
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
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	–	–	99.80	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) Newly established by the Group during the year

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings
	HK$'000
At 1 October 2018	40,000
Changes from financing cash flows:	
Bank borrowings raised	30,000
Repayment of bank borrowings	(15,000)
Interest paid	(1,912)
Other changes:	
Interest expense recognised	1,912
At 30 September 2019 and 1 October 2019	55,000
Changes from financing cash flows:	
Bank borrowings raised	21,004
Repayment of bank borrowings	(21,004)
Interest paid	(1,850)
Other changes:	
Interest expense recognised	1,850
At 30 September 2020	55,000

27. COMMITMENTS

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

	2020	2019
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property renovation costs	1,186	20,430
Investment in unlisted equity instruments	23,122	3,741
	24,308	24,171
Authorised, but not contracted for:		
Property renovation costs	2,242	11,657

28. PLEDGED ASSETS

As at 30 September 2020 (i) investment properties of the Group with a carrying amount of approximately HK$4,810,000,000 (2019: approximately HK$4,906,000,000); (ii) ownership interests in leasehold land held for own use and building of the Group with a carrying amount of approximately HK$2,199,000 (2019: approximately HK$2,312,000); and (iii) pledged bank deposits of approximately HK$34,882,000 (2019: Nil) 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$3,946,538,000 (2019: HK$4,185,159,000) was leased out under operating leases for periods ranging from one to seven years (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Within one year	62,281	82,615
In more than one year but not more than two years	30,498	49,855
In more than two years but not more than three years	7,401	10,776
In more than three years but not more than four years	1,102	4,303
In more than four years but not more than five years	–	1,209
	101,282	148,758

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$845,000 (2019: HK$818,000) 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 borrowings 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

	2020	2019
	HK$'000	*HK$'000*
Financial assets		
Measured at fair value		
– Debt instruments designated at FVOCI	**37,655**	37,720
– Equity instrument designated at FVOCI	**18,000**	26,200
– Financial assets at FVTPL	**74,402**	64,846
Measured at amortised cost		
– Trade and other receivables	**10,785**	8,259
– Loan to a joint venture	**–**	5,534
– Deposits	**1,602**	1,771
– Amounts due from joint ventures	**116,853**	113,352
– Pledged bank deposits	**34,882**	-
– Bank balances and cash	**123,289**	185,992
	417,468	443,674
Financial liabilities		
Measured at amortised cost		
– Trade and other payables	**24,301**	23,207
– Rental and management fee deposits	**24,474**	25,043
– Bank borrowings, secured	**55,000**	55,000
	103,775	103,250

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies

The Group's financial instruments include debt instruments at FVOCI, financial assets at FVTPL, equity instrument designated at FVOCI, trade and other receivables, bank balances and cash, amount due from joint ventures, loan to a joint venture, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain loans and receivables are denominated in foreign currencies of the relevant group entities. They expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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:

	2020	2019
	HK$'000	*HK$'000*
USD	93,762	93,810
RMB	89,952	68,497

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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% (2019: 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% (2019: 5%) change in USD and RMB. A negative number below indicates a decrease in post-tax profit where HK$ strengthen 5% (2019: 5%) against USD and RMB. For a 5% (2019: 5%) weakening of the HK$ against USD and RMB, there would be an equal and opposite impact on the profits.

	2020	2019
	HK$'000	*HK$'000*
USD	(3,915)	(3,917)
RMB	(3,755)	(2,860)

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 borrowings (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 borrowings) 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 borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 (2019: 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 loss for the year ended 30 September 2020 would increase/decrease by approximately HK$230,000 (2019: profit for the year decrease/increase by approximately HK$230,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loan.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(iii) Other price risk

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 unlisted equity investments fund in respect of its investments classified as equity instrument at FVOCI, financial assets at FVTPL and debt instruments at FVOCI.

To manage its market price risk arising from these investments 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 those equity and debts investments at FVTPL and FVOCI, the sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period. If the price had been 20% higher/lower:

– loss for the year ended 30 September 2020 would decrease/increase by approximately HK$14,198,000 (2019: profit for the year increase/decrease by approximately HK$12,095,000) due to the change in fair value of financial assets at FVTPL; and

– other comprehensive income for the year ended 30 September 2020 would increase/decrease by approximately HK$11,131,000 (2019: increase/decrease by HK$12,784,000) as a result of the change in fair value of financial assets at FVOCI.

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

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;

– 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

Most of the Group's bank balances are held in major financial institutions in Hong Kong and the PRC, which management believes are of high credit quality. The 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 pledged bank deposits, bank balances and cash and financial assets at FVOCI were expected to be minimal.

The carrying amounts of trade and other receivables, loan to a joint venture and amount due from joint ventures, 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 and 2020:

	2020			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*	*(%)*	*HK$'000*	*HK$'000*
Neither past due nor impaired	3.08%	1,375	26	1.31%	1,386	12
1-30 days past due	3.99%	3,876	160	3.30%	2,453	64
31-60 days past due	5.33%	789	42	5.27%	454	24
61-90 days past due	6.42%	119	8	6.24%	46	4
Over 90 days past due	100.00%	2,438	2,438	7.08%	358	26
		8,597	2,674		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 joint ventures

The Group measures loss allowances for other receivables, loan to a joint venture and amount due from joint ventures 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 joint ventures 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.

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 joint ventures (Continued)

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 joint ventures during the year did not result in significant change in the loss allowance.

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 and 2020:

	2020			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*	*(%)*	*HK$'000*	*HK$'000*
Other receivables	0.11%-56.26%	8,516	3,654	0.60%-38.51%	5,350	1,658
Loan to a joint venture	–	–	–	13.17%	6,374	840
Amount due from joint ventures	3.24%-14%	133,011	16,158	13.17%	128,398	15,046
		141,527	19,812		140,122	17,544

Change in gross carrying amounts of other receivables, loan to joint venture and amount due from joint ventures 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)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. 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*
2020				
Trade and other payables	–	24,301	24,301	24,301
Rental and management fee deposits	–	24,474	24,474	24,474
Bank borrowings at variable rates	1.73% – 2.05%	55,000	55,000	55,000
		103,775	103,775	103,775

	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 borrowings at variable rates	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)

Bank borrowings 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 2020, the principal amount of such bank borrowings amounted to HK$55,000,000 (2019: HK$55,000,000). 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 borrowings 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*
2020						
Bank borrowings at variable rates	1.73% – 2.05%	15,195	40,059	–	55,254	55,000
2019						
Bank borrowings at variable rates	3.82% – 3.91%	15,434	40,047	–	55,481	55,000

The amounts included above for variable rate bank borrowings 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).

32. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

Financial assets	Fair value as at 30 September 2020	Fair value measurements as at 30 September 2020 categorised into Level 1	Level 2	Level 3
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Financial assets measured at FVTPL:				
– Listed equity securities in Hong Kong	20,690	20,690	–	–
– Unlisted equity instrument in Hong Kong	35,768	–	–	35,768
– Unlisted equity instrument in the United States	17,944	–	–	17,944
Equity instruments designated at FVOCI:				
– Unlisted equity investment in Hong Kong	18,000	–	–	18,000
Debt instruments at FVOCI:				
– Listed debt securities investment	37,655	37,655	–	–

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)*	*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	–	–

Note:

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*
At 1 October 2018	64,700	–
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
At 30 September 2019 and 1 October 2019	26,200	38,344
Addition during the year	–	19,255
Change in fair value, recognised in other comprehensive income	(8,200)	–
Change in fair value, recognised in profit or loss	–	(3,887)
At 30 September 2020	18,000	53,712

32. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

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

Description	Fair value at 30 September 2020	2019	Valuation technique(s)	Unobservable input 2020	2019	Range (weighted average) 2020	2019	Relationship of unobservable inputs to fair value
	HK$'000	HK$'000						
Financial asset measured at FVTPL								
Unlisted equity instrument in Hong Kong	35,768	38,344	Adjusted asset-based approach	Discount rate for lack of control	Discount rate for lack of control	30%	30%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Unlisted equity instrument in the United States	17,944	–	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	9.60%	–	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Equity instrument designated at FVOCI								
Unlisted equity investment in Hong Kong	18,000	26,200	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	20.60%	35%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

There were no transfers between levels during the year ended 30 September 2019 and 2020.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to 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 year. 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 EVG

	2020	2019
	HK$'000	*HK$'000*
Accounting service income received from EVG	6	24
Licence income received from EVG	287	259
Repair and maintenance expense paid/payable to EVG	696	420
Addition of investment properties paid to EVG	1,540	1,134

	2020	2019
	HK$'000	*HK$'000*
Deposits paid to EVG included in deposits and prepayments	3	103

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

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

	2020	2019
	HK$'000	*HK$'000*
Rental income received from B.L. Wong	1,030	1,020
Property management fee received from B.L. Wong	235	235

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

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	2020	2019
	HK$'000	*HK$'000*
Short-term employee benefits	8,373	8,075
Retirement scheme contributions	79	79
	8,452	8,154

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.

(d) Transaction with non-controlling interests

On 24 January 2020, the Company acquired 47.84% equity interests in Elephant Holdings Limited ("EHL") with cash consideration of HK$15,424,000 from one of the shareholders of EHL, B.L. Wong (Holdings) Company Limited ("B.L. Holdings") (collectively, the "Acquisition"). B.L. Holdings is beneficially equally owned by each of three Executive Directors of the Company in equal shares. Upon the completion of the Acquisition, the Company's interest in EHL increased from 51.96% as at 30 September 2019 to 99.80% of EHL. The related costs of the Acquisition amounted to approximately HK$367,000. On the completion date of the Acquisition, a non-cash transaction, a loan of HK$1,800,000 due by EHL to B.L. Holdings was waived.

The transaction with non-controlling interests was accounted as an equity transaction as the changes in the Group's ownership interest do not result in a loss of control over EHL and its subsidiaries. The Group recognised a decrease in non-controlling interests of approximately HK$5,999,000 and a decrease in equity attributable to owners of the Company of approximately HK$7,992,000.

34. SIGNIFICANT EVENT DURING THE YEAR

The outbreak of the COVID-19 since early 2020 has resulted in significant decrease in commercial activities in various locations the Group operates and negatively affected the Group's business operations for the year ended 30 September 2020.

The outbreak of COVID-19 had led to delay of installation work in the sites as requested by the Group's customers for ongoing contracts. COVID-19 has also brought additional uncertainties to the economic outlook and resulted in a decrease in demand to the Group's products and services and delay in settlement from customers.

In preparing these consolidated financial statements, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

35. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting date on 4 December 2020, the Company entered into a contract with a contractor to engage for performing certain renovation works of a commercial building of the Group, with contract sum of approximately HK$9,214,000.

FIVE YEARS FINANCIAL SUMMARY

(A) CONSOLIDATED RESULTS

	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	146,515	141,962	135,535	139,223	**140,010**
Profit/(loss) for the year	259,690	420,421	480,008	136,151	**(59,599)**
Profit/(loss) for the year attributable to:					
Owners of the Company	259,012	419,883	480,770	136,847	**(59,535)**
Non-controlling interests	678	538	(762)	(696)	**(64)**
	259,690	420,421	480,008	136,151	**(59,599)**

(B) CONSOLIDATED NET ASSETS

	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	4,781,392	5,147,246	5,588,661	5,705,536	**5,599,086**
Total liabilities	(161,914)	(139,442)	(141,400)	(163,210)	**(173,985)**
Net assets	4,619,478	5,007,804	5,447,261	5,542,326	**5,425,101**
Equity attributable to owners of the Company	4,610,786	5,000,255	5,440,474	5,536,235	**5,425,073**
Non-controlling interests	8,692	7,549	6,787	6,091	**28**
Total	4,619,478	5,007,804	5,447,261	5,542,326	**5,425,101**

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 floor area
				(square meters)
In Hong Kong				
Beverly House 93-107 Lockhart Road Hong Kong	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	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	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	Residential	Long lease	25	314*

PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

Property	Existing use	Lease term	Number of car parking spaces	Approximate floor area
				(square meters)
In Hong Kong (Continued)				
3-4 Headland Road Hong Kong	Residential	Long lease	27	3,391#
Wyler Centre Phase 2 13/F and 14/F Nos. 192 - 200 Tai Lin Pai Road Kwai Chung New Territories	Industrial	Medium lease	5	4,760*
1/F, 88A Pok Fu Lam Road Hong Kong	Residential	Long lease	1	155*
Kennedy Court No. 7A Shiu Fai Terrace Nos. 134-136 Kennedy Road Hong Kong	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*

* *Approximate gross floor area (square meters)*

\# *Approximate saleable floor area (square meters)*