



博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : 225

Creating the Properties of Tomorrow

Property leasing | Management | Development

INTERIM REPORT 2017 / 2018

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham
Hui Sui Yuen

COMPANY SECRETARY

Hui Sui Yuen

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.

SOLICITORS

Woo Kwan Lee & Lo
Tony Kan & Co.
Huen & Partners Solicitors

INDEPENDENT AUDITOR

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

<http://www.pokfulam.com.hk>

SHARE INFORMATION

Place of Listing

Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code

225

Board Lot

2,000 shares

CHAIRMAN'S STATEMENT

INTERIM PROFIT

The unaudited consolidated net profit of the Company and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the six months ended 31 March 2018 (the "Period") was approximately HK\$395.5 million, as compared to HK\$76.1 million for the corresponding period of the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of approximately HK\$355.2 million (2017: HK\$26.7 million) on investment properties;
- An unrealized loss of approximately HK\$5.6 million (2017: gain of HK\$2.0 million) on listed securities investments;
- Share of losses of joint ventures of approximately HK\$1.5 million (2017: HK\$1.4 million);
- A provision for repair and maintenance of approximately HK\$4.7 million (2017: Nil); and
- Exchange gain on amount due from a joint venture of approximately HK\$3.7 million (2017: loss of HK\$2.0 million).

If the above items and their net taxation expense of approximately HK\$1.3 million (2017: HK\$0.3 million) were excluded, the operating net profit after taxation and non-controlling interests for the Period would have been approximately HK\$49.7 million (2017: HK\$51.1 million).

INTERIM DIVIDEND

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved to declare an interim dividend of HK4 cents per ordinary share in respect of the first six months of the financial year ending 30 September 2018 (2017: HK4 cents per ordinary share) payable on 6 July 2018 to the Company's shareholders (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 28 June 2018.

BUSINESS REVIEW

A. Hong Kong

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 9.4% below that of the same period last year. Rental income from the Group's residential properties showed a decrease of 14.3%. The decrease was mainly attributable to the commencement of a major renovation program on the Group's properties at No. 4 Headland Road which had to be vacated for the renovation construction to be carried out. The decrease in rental income was also partly due to the increase in vacancy of the Group's other residential properties in Hong Kong. This is a general reflection of the local economic situation and the subsequent reduction in employment of expats who constitute a major portion of our tenants. Rental income from the Group's office and industrial properties had been stable and was in line with local segment trends.

Elephant Holdings Limited ("EHL") – Due to keen competition in the sector of Public Address/CCTV Security/Audio Visual System Engineering which is EHL's fields of specialty, this subsidiary operated at break-even in spite of a 17.5% increase in sales revenue was recorded for the six months period under review.

CHAIRMAN'S STATEMENT

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has one-third of the total interest) – Our Group's investment in this Project is through a Joint Venture Company, Silver Gain Development Limited (銀利發展有限公司) ("Joint Venture Company"). The three shareholders of the Joint Venture Company are Dynabest Development Inc. (one of our wholly-owned subsidiaries), Property Trust Guangzhou Investments Limited and Million Global Limited, with each holding one-third of the issued shares of the Joint Venture Company. The Joint Venture Company is the sole foreign investor of Guangzhou Garden Plaza Development Company Limited (廣州市東銀房地產有限公司) (the "PRC Company"). The PRC Company is a sino-foreign cooperative project company incorporated in China, and 廣州市東建實業集團有限公司 is the Chinese partner which contributed the land to this Project. The Joint Venture Company is principally engaged in the development of the commercial/residential complex ("Silver Gain Plaza") located on the land in Guangzhou through the PRC Company. Construction of the commercial podium in Phase III (the final phase) of this development project was completed recently. An unforeseen change in local government policy requires payment of additional land premium for the underground structure of this phase before the Certificate of Compliance can be issued.

Since the whole development project has been substantially completed, the three shareholders of the Joint Venture Company considered that it is an appropriate time to realise the accumulated profit generated from this Project by disposing their shares of equity interests in the Joint Venture Company.

The project was released to the market during the period under review. Nevertheless, there is no disposal agreement entered by the Group during the period under review and up to the date of this Statement. The Group will seriously consider disposing its share of the entire equity interest in this Project when a reasonable offer is received.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing – There was a 15% increase in rental revenue compared to that of the previous corresponding period last year.

PROSPECTS

Even though residential property prices in Hong Kong continued to escalate in the past year, the rental rates of the Group's high-end residential properties do not reflect this trend. Construction work on a neighbouring site of No. 3 Headland Road has had an adverse impact on the rental income of the Group's properties there. The recent trade conflict between the US and China, coupled with the possibility of interest rate hikes, have caused economic uncertainty in the immediate future. The overall rental income of the Group in the second half of the financial year is anticipated to be less than that of the first half.

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

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 31 May 2018

INDEPENDENT REVIEW REPORT



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111 Connaught Road Central
Hong Kong

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 7 to 23 which comprise the condensed consolidated statement of financial position of Pokfulam Development Company Limited and its subsidiaries as of 31 March 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

INDEPENDENT REVIEW REPORT

CONCLUSION

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

BDO Limited

Certified Public Accountants

Lam Hung Yun, Andrew

Practising Certificate Number P04092

Hong Kong, 31 May 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2018

		Six months ended	
		31.3.2018	31.3.2017
NOTES		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue		67,661	70,149
Cost of goods sold		(10,314)	(7,440)
Cost of rental and other operations		(17,475)	(14,800)
Other income and gains		39,872	47,909
Other expense		24,994	18,750
Selling and marketing expenses		(4,655)	(2,601)
Administrative expenses		(705)	(786)
Finance costs	5	(6,674)	(8,082)
		(424)	(846)
Profit before changes in fair value of investments held for trading and investment properties		52,408	54,344
(Decrease)/increase in fair value of investments held for trading		(5,592)	2,011
Increase in fair value of investment properties	10	355,201	26,696
Share of losses of joint ventures		402,017	83,051
		(1,538)	(1,358)
Profit before income tax	6	400,479	81,693
Income tax expense	7	(5,090)	(5,495)
Profit for the period		395,389	76,198
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		4,184	(2,727)
Exchange gain/(loss) arising from long term advances to a joint venture		2,272	(1,130)
Other comprehensive income for the period		6,456	(3,857)
Total comprehensive income for the period		401,845	72,341
Profit/(loss) for the period attributable to:			
Owners of the Company		395,476	76,084
Non-controlling interests		(87)	114
		395,389	76,198
Total comprehensive income for the period attributable to:			
Owners of the Company		401,932	72,227
Non-controlling interests		(87)	114
		401,845	72,341
		HK\$	HK\$
Earnings per share – basic	9	3.59	0.69

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

		31.3.2018	30.9.2017
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Investment properties	10	5,017,844	4,651,170
Property, plant and equipment	10	4,479	4,801
Interests in joint ventures		26,118	21,018
Amount due from a joint venture		139,373	132,364
Deposits and prepayments		5,424	1,944
Available-for-sale investment		8,000	8,000
		5,201,238	4,819,297
Current Assets			
Inventories		11,808	5,415
Investments held for trading		38,238	43,814
Loan to a joint venture		14,931	14,422
Trade and other receivables	11	7,473	8,192
Deposits and prepayments		9,152	11,013
Bank balances and cash		232,874	245,093
		314,476	327,949
Current Liabilities			
Trade payables, other payables and deposits received	12	28,152	22,175
Amount due to a joint venture		–	206
Rental and management fee deposits		23,690	25,302
Provision for taxation		7,200	12,978
Bank loan, secured	13	40,000	40,000
		99,042	100,661
Net Current Assets		215,434	227,288
Total Assets less Current Liabilities		5,416,672	5,046,585
Capital and Reserves			
Share capital		146,134	146,134
Reserves		5,222,999	4,854,121
Equity attributable to owners of the Company		5,369,133	5,000,255
Non-controlling interests		7,462	7,549
Total Equity		5,376,595	5,007,804
Non-current Liability			
Deferred taxation		40,077	38,781
		5,416,672	5,046,585

The condensed consolidated interim financial statements on pages 7 to 23 were approved and authorised for issue by the Board on 31 May 2018 and are signed on its behalf by:

Wong Tat Chang, Abraham
DIRECTOR

Wong Tat Sum, Samuel
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 October 2016 (audited)	146,134	6,826	4,457,826	4,610,786	8,692	4,619,478
Profit for the period	-	-	76,084	76,084	114	76,198
Exchange difference arising on translation of foreign operations	-	(2,727)	-	(2,727)	-	(2,727)
Exchange loss arising from long term advances to a joint venture	-	(1,130)	-	(1,130)	-	(1,130)
Total comprehensive income for the period	-	(3,857)	76,084	72,227	114	72,341
Dividend paid	-	-	(27,545)	(27,545)	(1,681)	(29,226)
As at 31 March 2017 (unaudited)	146,134	2,969	4,506,365	4,655,468	7,125	4,662,593
As at 1 October 2017 (audited)	146,134	8,364	4,845,757	5,000,255	7,549	5,007,804
Profit/(loss) for the period	-	-	395,476	395,476	(87)	395,389
Exchange difference arising on translation of foreign operations	-	4,184	-	4,184	-	4,184
Exchange gain arising from long term advances to a joint venture	-	2,272	-	2,272	-	2,272
Total comprehensive income for the period	-	6,456	395,476	401,932	(87)	401,845
Dividend paid	-	-	(33,054)	(33,054)	-	(33,054)
As at 31 March 2018 (unaudited)	146,134	14,820	5,208,179	5,369,133	7,462	5,376,595

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash from operating activities	24,572	40,723
Investing activities		
Investment in a joint venture	(1,000)	–
(Advance to)/repayment from joint ventures	(2,966)	17,286
Dividend income from an investee company classified as an available-for-sale investment	13,333	13,333
Additions of investment properties	(13,412)	(610)
Other investing cash flows	(86)	(201)
Net cash (used in)/from investing activities	(4,131)	29,808
Financing activities		
Repayment of a bank loan	–	(30,000)
Dividend paid to non-controlling shareholders	–	(1,681)
Dividend paid	(33,054)	(27,545)
Interest paid	(424)	(846)
Cash used in financing activities	(33,478)	(60,072)
(Decrease)/increase in cash and cash equivalents	(13,037)	10,459
Cash and cash equivalents at beginning of the period	245,093	199,873
Effect of foreign exchange rates changes	818	(245)
Cash and cash equivalents at end of the period, represented by bank balances and cash	232,874	210,087

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

1. GENERAL

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

The principal activities of the Group are property investment and management, trading of visual and sound equipment, securities investment and investment holding.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2017 (the "Year 2017").

The financial information relating to the Year 2017 that is included in the Condensed Consolidated Interim Financial Statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the Year 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements for the Year 2017. The independent auditor's report was unqualified, did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These Condensed Consolidated Interim Financial Statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Condensed Consolidated Interim 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 appropriate. Historical cost is generally based on the fair value of consideration for goods and services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

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

The accounting policies adopted in the preparation of the unaudited Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the Year 2017. The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual period beginning on 1 October 2017.

Amendments to HKAS 7

Disclosure Initiative

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKFRS 12 included in
*Annual Improvements to HKFRSs
2014–2016 Cycle*

*Disclosure of Interests in Other
Entities: Clarification of the
Scope of HKFRS 12*

The adoption of the above revised standards has had no significant financial effect on the unaudited Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the Period, in the unaudited Condensed Consolidated Interim Financial Statements.

Further information about those HKFRSs that are expected to be relevant and applicable to the Group is described below:

In September 2014, the HKICPA issued the final version of HKFRS 9 *Financial Instruments* ("HKFRS 9"), bringing together all phases of the financial instruments project to replace HKAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 October 2018. The Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale, including those currently stated at cost less impairment, will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Dividend income is generally recognised in profit or loss.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income. Lease receivables, loan commitments, amount due from a joint venture and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"), issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects that the adoption of HKFRS 15 on 1 October 2018 may not have a significant impact on the amounts reported but may result in more disclosures made in the Group's financial statements.

4. SEGMENT INFORMATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

4. SEGMENT INFORMATION (CONTINUED)

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

Six months ended 31 March 2018

	Property investment and management	Trading of goods	Securities investment	Segment total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External	51,902	15,241	518	67,661	-	67,661
Inter-segment	908	501	-	1,409	(1,409)	-
	52,810	15,742	518	69,070	(1,409)	67,661
Segment profit/(loss)	389,013 (Note)	540	(5,054)	384,499	-	384,499
Other income and gains						24,392
Central administrative costs						(6,450)
Finance costs						(424)
Share of losses of joint ventures						(1,538)
Profit before income tax						400,479

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 March 2017

	Property investment and management	Trading of goods	Securities investment	Segment total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External	56,670	12,966	513	70,149	–	70,149
Inter-segment	826	27	–	853	(853)	–
	57,496	12,993	513	71,002	(853)	70,149
Segment profit	72,636 (Note)	1,118	2,512	76,266	–	76,266
Other income						18,088
Other expense						(2,601)
Central administrative costs						(7,856)
Finance costs						(846)
Share of loss of a joint venture						(1,358)
Profit before income tax						81,693

Note: Segment profit of property investment and management division included the increase in fair value of investment properties of approximately HK\$26,696,000.

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 available-for-sale investment and exchange gain), other expense (exchange loss), central administrative costs, finance costs, share of losses of joint ventures and income tax expense. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

5. FINANCE COSTS

The amounts mainly represent interests on a bank loan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

6. PROFIT BEFORE INCOME TAX

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation on property, plant and equipment	414	387
(Gain)/loss on disposal of property, plant and equipment	(6)	1
Provision for repair and maintenance	4,655	–
Imputed interest income on amount due from a joint venture	(3,309)	(2,656)
Dividend income from listed securities	(518)	(513)
Dividend income from an investee company classified as an available-for-sale investment	(13,333)	(13,333)

7. INCOME TAX EXPENSE

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Hong Kong Profits Tax	3,337	4,685
The People's Republic of China (the "PRC")		
Enterprise Income Tax	457	211
Deferred tax charge	1,296	599
	5,090	5,495

8. DIVIDEND

In January 2018, the final dividend in respect of the Year 2017 of HK30 cents (2017: HK25 cents in respect of the financial year ended 30 September 2016) per ordinary share, totalling HK\$33,054,000 (2017: HK\$27,545,000), was paid to the Shareholders.

Subsequent to the end of the Period, the Board has determined that an interim dividend in respect of the financial year ending 30 September 2018 of HK4 cents (2017: HK4 cents) per ordinary share, totalling HK\$4,407,000 (2017: HK\$4,407,000) will be paid to the Shareholders whose names appear on the Register of Members on 28 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the Period of approximately HK\$395,476,000 (six months ended 31 March 2017: approximately HK\$76,084,000) and on 110,179,385 (six months ended 31 March 2017: 110,179,385) shares in issue during the Period.

Diluted earnings per share is not presented as there were no potential ordinary shares in issue during both periods and as at 31 March 2018 and 31 March 2017.

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

The Group's investment properties at 31 March 2018 were carried at fair value as estimated using direct comparison method or income capitalisation method, where appropriate. The increase in fair value of approximately HK\$355,201,000 (six months ended 31 March 2017: approximately HK\$26,696,000) has been recognised directly in profit or loss for the Period.

During the Period, the Group had incurred additional costs on investment properties as well as property, plant and equipment at a total cost of approximately HK\$11,473,000 and approximately HK\$96,000 respectively (six months ended 31 March 2017: approximately HK\$82,000 and approximately HK\$201,000 respectively).

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

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	207,493	29,420
Commercial	136,734	–
Industrial	5,250	–
Properties located in the PRC:		
Residential	5,724	(2,724)
	355,201	26,696

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

11. TRADE AND OTHER RECEIVABLES

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

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

	31.3.2018	30.9.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,669	2,513
31 – 60 days	56	300
61 – 90 days	348	246
Over 90 days	230	1,241
	3,303	4,300
Other receivables	4,170	3,892
	7,473	8,192

12. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

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

	31.3.2018	30.9.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	4,071	2,949
31 – 60 days	1,450	1,998
61 – 90 days	106	71
Over 90 days	1,362	447
	6,989	5,465
Other payables	13,561	15,424
Renovation fee and retention payable	1,770	229
Provision for repair and maintenance	4,655	–
Deposits received for sale of goods	1,177	1,057
	28,152	22,175

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

13. SECURED BANK LOAN

The bank loan is secured by the Group's investment property amounted to approximately HK\$666.0 million as at 31 March 2018 (as at 30 September 2017: HK\$630.0 million).

14. COMMITMENTS

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

	31.3.2018	30.9.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:		
Property renovation costs	5,541	12,298
Share of commitments of its joint venture in respect of cost of development of commercial/residential complex	445	450
Investment in a joint venture	500	1,500
	6,486	14,248
Authorised, but not contracted for:		
Property renovation costs	73,933	–

15. PLEDGE OF ASSETS

At the end of the Period, investment properties, leasehold land and building of the Group with a carrying amount of approximately HK\$4,715,900,000 (as at 30 September 2017: approximately HK\$4,360,800,000) and HK\$2,482,000 (as at 30 September 2017: HK\$2,538,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Valuation technique(s) and key input(s)
	31.3.2018	30.9.2017	
	HK\$'000	HK\$'000	
<i>Fair value hierarchy: Level 1</i>			
Listed equity securities classified as investments held for trading	38,238	43,814	Quoted bid prices in an active market

There was no transfer out of level 1 during the Period.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

17. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the Condensed Consolidated Interim Financial Statements, the following transactions were carried out by the Group with the related parties during the periods. The terms of the below transactions (a) and (b) were mutually agreed by the Group and the related companies.

(a) **Significant related party transactions with Elevant-Garde Limited ("EVG") during the periods**

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Licence income received from EVG	77	–

	Six months ended	
	31.3.2018	30.9.2017
	HK\$'000	HK\$'000
Deposits paid to EVG included in deposits and prepayments	310	–

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") during the periods**

	Six months ended	
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Rental income received from B.L. Wong	510	450
Property management fee received from B.L. Wong	115	105

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

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

	Six months ended	
	31.3.2018	31.3.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	3,309	2,922
Retirement scheme contributions	40	40
	3,349	2,962

GENERAL INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Consolidated equity attributable to owners of the Company as at 31 March 2018 was approximately HK\$5,369.1 million (30 September 2017: HK\$5,000.3 million).

As at 31 March 2018, the Group's total bank balances and cash was approximately HK\$232.9 million (30 September 2017: HK\$245.1 million), of which around 92% (30 September 2017: 93%) was denominated in Hong Kong dollars and 7% (30 September 2017: 6%) was denominated in Renminbi. The Group's foreign exchange exposure was not significant given that its largest asset and operational cash flow primarily were denominated in Hong Kong dollars.

As at 31 March 2018, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK\$40.0 million (30 September 2017: HK\$40.0 million).

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

	31.3.2018	30.9.2017
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	–	–
After one year but within two years	40.0	–
After two years but within five years	–	40.0
	<hr/>	<hr/>
	40.0	40.0
	<hr/>	<hr/>

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

As at 31 March 2018, the Group had undrawn banking facilities of approximately HK\$451.0 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing and charge on assets

As at 31 March 2018, the debt to equity ratio, based on the Group's total borrowing of HK\$40.0 million and the consolidated equity attributable to owners of the Company of approximately HK\$5,369.1 million, was 0.7%, as compared with 0.8% on 30 September 2017.

As at 31 March 2018, investment properties and properties for own use of the Group with an aggregate carrying value of approximately HK\$4,715.9 million and approximately HK\$2.5 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

Commitments

Particulars of the Group's commitments are set out in note 14 to the Condensed Consolidated Interim Financial Statements.

GENERAL INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 103 employees (2017: 101). The staff remuneration including Directors' emoluments and other employee expenses for the Period amounted to approximately HK\$11.4 million (2017: approximately HK\$10.3 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate governance

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

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Although Mr. Wong Tat Chang, Abraham holds both the positions of chairman of the Board (the "Chairman") and Managing Director, the Board considers that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current Board composition, where half of the Board are represented by independent non-executive Directors (the "INEDs"), and corporate governance structure ensure effective oversight of management.

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

Model code for securities transactions by Directors

The Company 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 the code for dealing in the securities of the Company by the Directors. Following specific enquiries made with all Directors by the Company, all of them confirmed that they had complied with the required standards set out in the Model Code throughout the Period.

Purchase, sale or redemption of shares

During the Period, the Company did not redeem any of the Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

GENERAL INFORMATION

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

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position interests in the Company

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

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

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

Notes:

- (1) Mr. Wong Tat Sum, Samuel, an Executive Director, is deemed to be interested in 28,800 Shares, being the interest held beneficially by his wife.
- (2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Executive Directors.
- (3) The percentage represents the total number of Shares interested in the Company divided by the number of issued Shares as at 31 March 2018 (i.e. 110,179,385 Shares).

GENERAL INFORMATION

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at 31 March 2018, other than the interests which would be required to be disclosed under provision of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors or the chief executive, the Company had not been notified by any entity or person, not being a Director or the chief executive of the Company, of interests or short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

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

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

- (a) The Board determined the annual remuneration of each of the chairman and other members of the Board and the Board committees for the year ending 30 September 2018 upon the recommendation of the remuneration committee of the Company (as appropriate) as follows:

	Remuneration for chairman HK\$	Remuneration for other members HK\$
Board	110,000	100,000
Board committees:		
Audit committee	90,000	35,000
Remuneration committee	60,000	30,000
Nomination committee	Nil	Nil

With effect from 1 January 2018, the monthly salary (excluding the Director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman and the Managing Director, has been increased from HK\$168,783 to HK\$176,800.

- (b) Mr. Sit Hoi Wah, Kenneth has been appointed as an independent non-executive director of Tree Holdings Limited (a company listed on GEM (formerly known as "Growth Enterprise Market") of the Stock Exchange) with effect from 25 January 2018.

GENERAL INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from Tuesday, 26 June 2018 to Thursday, 28 June 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 25 June 2018.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

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

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned and BDO Limited was appointed as the independent auditor of the Group with effect from 28 March 2018.

In addition, the Condensed Consolidated Interim Financial Statements have been reviewed by BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose review report is set out on pages 5 and 6 of this interim report.