



博富臨置業有限公司

Pokfulam Development Company Limited

Stock Code : 225



INTERIM REPORT 2019/2020

YOUR LIFE, OUR INSPIRATION

Property Leasing | Management | Development

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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
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

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

INDEPENDENT AUDITOR

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

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

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

SHARE INFORMATION

Place of Listing
Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code

225

Board Lot

2,000 shares

CHAIRMAN'S STATEMENT

INTERIM RESULT

The unaudited consolidated net loss of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the six months ended 31 March 2020 (the "Period") was approximately HK\$45.7 million (2019: profit of HK\$73.4 million). Such results took into account the following major non-operating items:

- A revaluation deficit of approximately HK\$75.1 million (2019: surplus of HK\$27.3 million) on investment properties;
- Net revaluation losses of approximately HK\$5.1 million (2019: HK\$0.1 million) on securities investments and an equity instrument;
- Share of profit of joint ventures of approximately HK\$0.1 million (2019: losses of HK\$1.0 million);
- Exchange loss on amount due from a joint venture of approximately HK\$0.1 million (2019: gain of HK\$1.5 million); and
- Net provision for impairment losses in respect of expected credit losses on financial assets of approximately HK\$1.4 million (2019: HK\$3.0 million).

If the above items and their net taxation expense of approximately HK\$2.6 million (2019: HK\$1.6 million) were excluded, the operating net profit after taxation and non-controlling interests for the Period would have been approximately HK\$38.5 million (2019: HK\$50.3 million).

INTERIM DIVIDEND

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved to declare an interim dividend of HK4 cents per ordinary share of the Company (the "Share") in respect of the first six months of the financial year ending 30 September 2020 (2019: HK4 cents per ordinary share) payable on 30 June 2020 to the Company's shareholders (the "Shareholders") whose names will appear on the register of members of the Company (the "Register of Members") on 19 June 2020.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

A. Hong Kong

Rental business –

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 0.5% above that of the same period last year. Rental income from the Group's residential properties showed a slight increase of 0.8%. The increase was mainly due to the increase in rental revenue from the Group's properties in Scenic Villas and Kennedy Court on Shiu Fai Terrace, whereas income from the properties on Headland Road is affected by the renovation work at No.4 Headland Road (which has to be vacated for the renovation), and the redevelopment construction at No.2, which is located next to our property at No.3. Revenue from the Group's office and industrial properties were about the same as that of the same period of the previous year.

Elephant Holdings Limited ("EHL")–

The resolution for the Company to acquire 47.84% equity interest of EHL from BL 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 high-end audio-visual and sound systems and Hi-Fi products in China.

EHL is one of our major subsidiaries and it contributed approximately 26% of the Group's revenue for the six months 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 31 March 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\$38.0 million.

CHAIRMAN'S STATEMENT

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: i. Potential for return on investment in terms of capital appreciation and dividend payment for the target holding period; ii. Risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and iii. Diversification of the existing investment portfolio.

During the six months 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. The Group has not yet contributed towards its commitment as of 31 March 2020.

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. Since one of the shareholders, Million Global Limited, is a wholly-owned subsidiary of COFCO Corporation, a State-owned enterprise held by the Central Government of the People's Republic of China (the "PRC"), the disposal of the assets had to be approved by the State-owned Assets Supervision and Administration Commission of the State Council. The approval for the disposal of the assets has been granted during the past year, and the sale of the three shareholders' equity interest of this Joint Venture Company has to go through an open tendering process through the United Assets and Equity Exchanges in Shanghai.

The first and the re-tendering have lapsed as there was no satisfactory offer received up to the end of the tender period. Due to the COVID-19 pandemic, preparation for another re-tendering has been delayed until recently. 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 –

Due to the outbreak of the COVID-19 pandemic, occupancy rate and monthly rent of these units have decreased compared to that of the previous corresponding period of last year.

CHAIRMAN'S STATEMENT

PROSPECT

The outbreak of the COVID-19 pandemic has caught the world unprepared. To stem the spread of the coronavirus disease, many countries have enacted different forms of regulations to minimize the contact and flow of people, which in effect have put a halt to many economic activities. China and Hong Kong were among the first to implement policies of this kind. After a period of a month or so, these measures succeeded in bringing about the desired effect of slowing the spread of the epidemic, which allowed relevant authorities in both China and Hong Kong to gradually lessen the restrictions and to open up certain economic activities. However, control of the spread of the coronavirus disease in North America and Europe, where Hong Kong traditionally has strong economic ties with, has not been effective. It will take a long time for life in these regions to return to normal and recover economically. Overall economic conditions and growth in Hong Kong are likely to remain negative for the rest of 2020. In view of the above, reduction in rental income of the Group is anticipated for the second half of the financial year.

In spite of the above, the Group will continue to upgrade its property holdings through the active integration of new technology as well as the improvement of services provided.

Wong Tat Chang, Abraham

Chairman, Managing Director and Executive Director

Hong Kong, 22 May 2020

GENERAL INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

Shareholders' funds as at 31 March 2020 were HK\$5,446.8 million (30 September 2019: HK\$5,536.2 million).

As at 31 March 2020, the Group's total pledged bank deposits and bank balances and cash amounted to HK\$164.0 million (30 September 2019: HK\$186.0 million), of which over 47% (30 September 2019: 56%) was denominated in Hong Kong dollar ("HK\$"), 34% (30 September 2019: 30%) was denominated in United States dollar ("US\$") and 18% (30 September 2019: 13%) was denominated in Renminbi. As at 31 March 2020, the Group's debt securities investments of HK\$37.6 million (30 September 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 the HK\$ is pegged to US\$.

As at 31 March 2020, the Group's total borrowing, which was denominated in HK\$, was HK\$58.4 million (30 September 2019: HK\$55.0 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:

	31.3.2020 HK\$ Million	30.9.2019 HK\$ Million
Repayable:		
Within one year	58.4	55.0
After one year but within two years	–	–
After two years but within five years	–	–
After five years	–	–
	<hr/>	<hr/>
	58.4	55.0
	<hr/>	<hr/>

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 overdraft of HK\$3.4 million is classified under current liabilities. The Group's bank term loan of HK\$40.0 million (that is repayable within one year after the end of the reporting period and contains a repayment on demand clause) is classified under current liabilities.

The bank borrowings carry interest at the Hong Kong Interbank Offer Rate (HIBOR)/the bank's Cost of Fund plus a margin.

As at 31 March 2020, the Group had undrawn banking facilities of approximately HK\$462.6 million, which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing and charge on assets

As at 31 March 2020, the debt to equity ratio, based on the Group's total borrowing of HK\$58.4 million and the consolidated equity attributable to owners of the Company of approximately HK\$5,446.8 million, was 1.1%, as compared with 1.0% on 30 September 2019.

As at 31 March 2020, (i) investment properties of the Group with a carrying amount of approximately HK\$4,843.0 million (as at 30 September 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\$2.3 million (as at 30 September 2019: approximately HK\$2.3 million); and (iii) time deposit of the Group with a carrying amount of approximately HK\$34.6 million (as at 30 September 2019: Nil) were pledged to banks to secure the general banking facilities granted to the Group.

GENERAL INFORMATION

Commitments

Particulars of the Group's commitments are set out in note 15 to the condensed consolidated interim financial statements of the Company for the Period (the "Condensed Consolidated Interim Financial Statements").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 110 employees (2019: 107). The staff remuneration including Directors' emoluments and other employee expenses for the Period amounted to approximately HK\$15.2 million (2019: HK\$13.3 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 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 and training programmes are offered to the eligible employees.

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 executive Directors (the "Executive Directors") 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 Elephant Holdings Limited ("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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules" and the "Stock Exchange", respectively). 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 Period and up to the date of this report. None of the "Related Party Transactions" as disclosed in note 18 to the Condensed Consolidated Interim 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 Period.

GENERAL INFORMATION

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 more than 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.

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 Annual General Meeting in accordance with the articles of association of the Company.

Model code for securities transactions by Directors

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

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

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

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

As at 31 March 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 Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (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); (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:

GENERAL INFORMATION

(a) Long position interests in the shares of Company

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

(b) Long position in the shares of interests in EHL, a subsidiary of the Company

Name of Directors/chief executive	Number of ordinary shares held		Approximate percentage of interest in the issued shares of EHL
	Personal interests	Total	
Wong Tat Chang, Abraham	10	10	0.1%

Notes:

- (1) Mr. Wong Tat Sum, Samuel, an Executive Director, is deemed to be interested in 28,800 Shares, being the interest held beneficially by his wife.
- (2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Executive Directors.
- (3) The percentage represents the total number of Shares interested divided by the number of issued Shares of 110,179,385 as at 31 March 2020.

Save as disclosed above, as at 31 March 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 31 March 2020, 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 having 5% or more of the interests or short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

GENERAL INFORMATION

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

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

- (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 2020 upon the recommendation of the remuneration committee of the Board (as appropriate) as follows:

	Remuneration for chairman HK\$	Remuneration for other members HK\$
Board	110,000	110,000
Board committees:		
Audit committee	120,000	60,000
Remuneration committee	60,000	30,000
Nomination committee	Nil	Nil

With effect from 1 January 2020, the monthly salary (excluding the Director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman, Managing Director and Executive Director, has been increased from HK\$182,758 to HK\$186,008.

- (b) Mr. Seto Gin Chung, John retired as the executive director of Pacific Eagle Asset Management Limited on 31 December 2019.
- (c) Mr. Li Kwok Sing, Aubrey retired as the independent non-executive director of Tai Ping Carpets International Limited on 18 May 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from Wednesday, 17 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, non-registered Shareholders must lodge all properly completed and stamped 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 Tuesday, 16 June 2020.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Board (the "Audit Committee") comprises of 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.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 MARCH 2020

	NOTES	Six months ended	
		31.3.2020	31.3.2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	72,299	70,224
Cost of goods sold		(11,542)	(10,502)
Cost of rental and other operations		(18,517)	(16,703)
		42,240	43,019
Other income and gains		16,456	21,563
Other expenses and losses		(7,152)	(3,007)
Selling and marketing expenses		(506)	(441)
Administrative expenses		(9,157)	(7,967)
Finance costs	5	(1,136)	(731)
Profit before changes in fair value of financial assets at fair value through profit or loss and investment properties		40,745	52,436
Decrease in fair value of financial assets at fair value through profit or loss		(5,138)	(78)
(Decrease)/increase in fair value of investment properties	10	(75,098)	27,285
		(39,491)	79,643
Share of profit/(loss) of joint ventures		79	(1,048)
(Loss)/profit before income tax	6	(39,412)	78,595
Income tax expense	7	(6,335)	(5,568)
(Loss)/profit for the period		(45,747)	73,027

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 MARCH 2020

		Six months ended	
		31.3.2020	31.3.2019
NOTES		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
	Change in fair value on equity instruments designated at fair value through other comprehensive income, net of tax	1,800	(16,200)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Change in fair value on debt instruments at fair value through other comprehensive income, net of tax	270	718
	Exchange gain arising on translation of foreign operations	114	1,135
	Exchange (loss)/gain arising from long term advances to a joint venture	(482)	1,649
	Other comprehensive income for the period, net of tax	1,702	(12,698)
	Total comprehensive income for the period	(44,045)	60,329
(Loss)/profit for the period attributable to:			
	Owners of the Company	(45,683)	73,445
	Non-controlling interests	(64)	(418)
		(45,747)	73,027
Total comprehensive income for the period attributable to:			
	Owners of the Company	(43,981)	60,747
	Non-controlling interests	(64)	(418)
		(44,045)	60,329
		HK\$	HK\$
(Loss)/earnings per share – basic	9	(0.41)	0.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

		31.3.2020	30.9.2019
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Investment properties	10	5,150,592	5,213,818
Property, plant and equipment	10	4,443	4,414
Interests in joint ventures		20,341	20,744
Amount due from a joint venture		115,288	113,352
Deposits and prepayments		3,638	4,098
Debt instruments at fair value through other comprehensive income	11(A)	37,576	37,720
Financial asset at fair value through profit or loss	11(B)	38,017	38,344
Equity instrument designated at fair value through other comprehensive income	11(A)	28,000	26,200
		5,397,895	5,458,690
Current Assets			
Inventories		15,176	11,822
Financial assets at fair value through profit or loss	11(B)	21,727	26,502
Loan to a joint venture		–	5,534
Amount due from a joint venture		285	–
Trade and other receivables	12	10,181	8,259
Deposits and prepayments		6,383	8,737
Pledged bank deposits		34,599	–
Bank balances and cash		129,381	185,992
		217,732	246,846
Current Liabilities			
Trade payables, other payables and deposits received	13	34,200	33,822
Rental and management fee deposits		25,113	25,043
Provision for taxation		5,515	6,934
Bank borrowings, secured	14	58,391	55,000
		123,219	120,799
Net Current Assets		94,513	126,047
Total Assets less Current Liabilities		5,492,408	5,584,737

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital and Reserves		
Share capital	146,134	146,134
Reserves	5,300,667	5,390,101
Equity attributable to owners of the Company	5,446,801	5,536,235
Non-controlling interests	28	6,091
Total Equity	5,446,829	5,542,326
Non-current Liability		
Deferred taxation	45,579	42,411
	5,492,408	5,584,737

The Condensed Consolidated Interim Financial Statements on pages 12 to 13 were approved and authorised for issue by the Board on 22 May 2020 and are signed on its behalf by:

Wong Tat Chang, Abraham
CHAIRMAN, MANAGING DIRECTOR
AND EXECUTIVE DIRECTOR

Wong Tat Sum, Samuel
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Attributable to owners of the Company							Total
	Share capital	Translation reserve*	Investment revaluation reserve	Investment revaluation reserve	Retained profits*	Sub-total	Non-controlling interests	
			(recycling)*	(non-recycling)*				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 October 2018 (audited)	146,134	5,508	(234)	56,700	5,274,385	5,482,493	6,787	5,489,280
Profit/(loss) for the period	-	-	-	-	73,445	73,445	(418)	73,027
Other comprehensive income for the period:								
Changes in fair value on:								
- Debt instruments at fair value through other comprehensive income ("FVOCI")	-	-	718	-	-	718	-	718
- Equity instrument designated at FVOCI	-	-	-	(16,200)	-	(16,200)	-	(16,200)
Exchange gain arising on translation of financial statements of foreign operations	-	1,135	-	-	-	1,135	-	1,135
Exchange gain arising from long term advances to a joint venture	-	1,649	-	-	-	1,649	-	1,649
Total comprehensive income for the period	-	2,784	718	(16,200)	73,445	60,747	(418)	60,329
Dividend paid	-	-	-	-	(37,461)	(37,461)	-	(37,461)
As at 31 March 2019 (unaudited)	146,134	8,292	484	40,500	5,310,369	5,505,779	6,369	5,512,148

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Attributable to owners of the Company							
	Share capital	Translation reserve*	Investment revaluation reserve (recycling)*	Investment revaluation reserve (non-recycling)*	Retained profits*	Sub-total	Non-controlling interests	Total
At at 1 October 2019 (audited)	146,134	1,477	1,060	18,200	5,369,364	5,536,235	6,091	5,542,326
Loss for the period	-	-	-	-	(45,683)	(45,683)	(64)	(45,747)
Other comprehensive income for the period:								
Changes in fair value on:								
- Debt instruments at FVOCI	-	-	270	-	-	270	-	270
- Equity instruments designated at FVOCI	-	-	-	1,800	-	1,800	-	1,800
Exchange gain arising on translation of financial statements of foreign operations	-	114	-	-	-	114	-	114
Exchange loss arising from long term advances to a joint venture	-	(482)	-	-	-	(482)	-	(482)
Total comprehensive income for the period	-	(368)	270	1,800	(45,683)	(43,981)	(64)	(44,045)
Dividend paid	-	-	-	-	(37,461)	(37,461)	-	(37,461)
Transaction with non-controlling interests (Note 18(d))	-	-	-	-	(7,992)	(7,992)	(5,999)	(13,991)
As at 31 March 2020 (unaudited)	146,134	1,109	1,330	20,000	5,278,228	5,446,801	28	5,446,829

* These reserve accounts comprise the consolidated reserves of approximately HK\$5,300,667,000 in the condensed consolidated statement of financial position as at 31 March 2020 (30 September 2019: HK\$5,390,101,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	23,655	30,300
Investing activities		
Repayment of loan to a joint venture	6,944	–
Advance to a joint venture	(285)	(187)
Dividend income from an investee company classified as an equity instrument designated at FVOCI	10,455	13,367
Investment in listed debt securities classified as debt instruments at FVOCI	–	(28,738)
Investment in a financial asset at fair value through profit or loss (“FVTPL”)	(36)	(34,767)
Additions of investment properties	(11,872)	(15,213)
Increase in pledged bank deposits	(34,599)	–
Other investing cash flows	(404)	(94)
Net cash used in investing activities	(29,797)	(65,632)
Financing activities		
New bank borrowing	21,004	15,000
Repayment of bank borrowing	(17,613)	–
Dividend paid	(37,461)	(37,461)
Interest paid	(1,136)	(731)
Transaction with non-controlling interests	(15,791)	–
Net cash used in financing activities	(50,997)	(23,192)
Net decrease in cash and cash equivalents	(57,139)	(58,524)
Cash and cash equivalents at the beginning of the period	185,992	247,630
Effect of foreign exchange rates changes	528	392
Cash and cash equivalents at the end of the period, represented by bank balances and cash	129,381	189,498

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 31 March 2020 (the “Period”) (the “Condensed Consolidated Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Condensed Consolidated Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s audited annual consolidated financial statements for the year ended 30 September 2019 (the “Year 2019” and the “2019 Audited Financial Statements”, respectively). The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance to Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s audited annual financial statements for the Year 2019.

The financial information relating to the Year 2019 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 2019 Audited Financial Statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

The Company's independent auditor (the "Independent Auditor") has reported on the 2019 Audited Financial Statements. The Independent Auditor's report was unqualified, did not include a reference to any matters to which the Independent Auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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.

These Condensed Consolidated Interim Financial Statements have been prepared with the same accounting policies adopted in the 2019 Audited Financial Statements, except for the adoption of the new and amended "HKFRSs" which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the HKICPA effective for the first time for annual periods beginning on 1 October 2019.

During the Period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The impact of HKFRS 16 "Leases" has been summarised in note 3. The other new or amended HKFRSs that are effective from 1 October 2019 did not have material effect on the Group's accounting policies.

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Audited Financial Statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on these Condensed Consolidated Interim Financial Statements and discloses the new accounting policies that have been applied from 1 October 2019, where they are different to those applied in prior periods.

HKFRS 16 Leases (“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 statement of financial position as a right-of-use assets and a lease liabilities, 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. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (a) – (d) of this note.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

HKFRS 16 Leases ("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 condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the condensed 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) 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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

HKFRS 16 Leases ("HKFRS 16") (continued)

(b) Lessee accounting (continued)

(i) Lease liabilities (Continued)

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.

(ii) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

HKFRS 16 Leases ("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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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	–	investment in securities

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

For the six months ended 31 March 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	53,085	18,692	522	72,299	–	72,299
Inter-segment	967	581	–	1,548	(1,548)	–
	54,052	19,273	522	73,847	(1,548)	72,299
Segment (loss)/profit (Notes i and ii)	(40,535)	1,233	(4,798)	(44,100)	–	(44,100)
Unallocated other income and gains						16,311
Unallocated other expenses and losses (Note iii)						(1,785)
Central administrative costs						(8,781)
Finance costs						(1,136)
Share of profit of joint ventures						79
Loss before income tax						(39,412)

- Notes:
- Segment loss of property investment and management business included a decrease in fair value of investment properties of approximately HK\$75,098,000.
 - Segment loss of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK\$5,138,000.
 - Other expenses and losses represented the exchange loss and the net impairment losses on amount due from a joint venture and loan to a joint venture.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

4. SEGMENT INFORMATION (CONTINUED)

For the six months ended 31 March 2019

	Property investment and management HK\$'000	Trading of goods HK\$'000	Securities investment HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External	53,296	16,409	519	70,224	-	70,224
Inter-segment	912	125	-	1,037	(1,037)	-
	54,208	16,534	519	71,261	(1,037)	70,224
Segment profit (Notes i and ii)	68,328	226	32	68,586	-	68,586
Unallocated other income and gains						21,099
Unallocated other expenses and losses (Note iii)						(1,828)
Central administrative costs						(7,483)
Finance costs						(731)
Share of losses of joint ventures						(1,048)
Profit before income tax						78,595

- Notes:
- i. Segment profit of property investment and management business included an increase in fair value of investment properties of approximately HK\$27,285,000.
 - ii. Segment profit of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK\$78,000.
 - iii. Other expenses and losses represented the net impairment losses on amount due from a joint venture and loan to a joint venture.

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 and exchange gain), other expenses and losses (including exchange loss and net impairment losses on amount due from and loan to a joint venture), central administrative costs, finance costs and share of profit/(losses) of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

During the period, 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 period information had been re-presented to conform with current period presentation.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

4. SEGMENT INFORMATION (CONTINUED)

An analysis of revenue is as follows:

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Revenue from contracts with customer within the scope of HKFRS 15:		
– Sales of goods	18,692	16,409
– Building management services	4,566	4,660
	23,258	21,069
Revenue from other sources:		
– Rental income	48,519	48,636
– Dividend income	522	519
	49,041	49,155
Total revenue	72,299	70,224

The following table provides information about timing of revenue recognition:

	Property investment and management		Trading of goods		Securities investment		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At a point in time	–	–	18,692	16,409	–	–	18,692	16,409
Over time	4,566	4,660	–	–	–	–	4,566	4,660
	4,566	4,660	18,692	16,409	–	–	23,258	21,069
Revenue from other sources	48,519	48,636	–	–	522	519	49,041	49,155
	53,085	53,296	18,692	16,409	522	519	72,299	70,224

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

5. FINANCE COSTS

The amounts mainly represent interests on bank loans and bank overdrafts for the six months ended 31 March 2020 (2019: interests on bank loans).

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
(Loss)/profit before income tax has been arrived at after charging/(crediting):		
Depreciation:		
– owned property, plant and equipment	367	413
– right-of-use-assets including within property, plant and equipment	4	–
Loss on disposal of property, plant and equipment	4	–
Net foreign exchange loss/(gain)	1,343	(2,062)
Provision for repair and maintenance	4,415	–
Provision for impairment on trade and other receivables	926	1,188
Provision for/(reversal of) impairment on deposit	22	(9)
Provision for impairment on amount due from joint ventures	1,281	1,887
Reversal of impairment on loan to a joint venture	(840)	(59)
Reversal of inventories written down	(947)	(220)
Imputed interest income on amount due from a joint venture	(3,346)	(3,346)
Dividend income from listed securities	(522)	(519)
Dividend income from an investee company classified as an equity instrument designated at FVOCI	(10,455)	(13,367)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

7. INCOME TAX EXPENSE

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Hong Kong Profits Tax	3,165	3,682
The People's Republic of China (the "PRC") Enterprise Income Tax	2	131
Deferred tax charge	3,168	1,755
	6,335	5,568

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 six months ended 31 March 2020.

8. DIVIDEND

In January 2020, the final dividend in respect of the Year 2019 of HK34 cents (2019: HK34 cents in respect of the financial year ended 30 September 2018) per ordinary share, totalling HK\$37,461,000 (2019: HK\$37,461,000), was paid to the shareholders of the Company ("Shareholders").

Subsequent to the end of the Period, the Board has determined that an interim dividend in respect of the financial year ending 30 September 2020 of HK4 cents (2019: HK4 cents) per ordinary share, totalling HK\$4,407,000 (2019: HK\$4,407,000) will be paid to the Shareholders whose names appear on the Register of Members on 19 June 2020.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the Period of approximately HK\$45,683,000 (six months ended 31 March 2019: profit attributable to owners of the Company of approximately HK\$73,445,000) and on 110,179,385 (six months ended 31 March 2019: 110,179,385) shares in issue during the Period.

Diluted (loss)/earnings per share is not presented as there were no potential ordinary shares in issue for the six months ended 31 March 2020 and 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

The Group's investment properties as at 31 March 2020 were carried at fair value as estimated using direct comparison method or income capitalisation method, where appropriate. The decrease in fair value of approximately HK\$75,098,000 (six months ended 31 March 2019: increase of approximately HK\$27,285,000) 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\$11,872,000 and approximately HK\$404,000, respectively (six months ended 31 March 2019: approximately HK\$15,907,000 and approximately HK\$312,000, respectively).

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.

The Group's leasehold land that was held for rental or capital appreciation purpose would continue to be accounted for under HKAS40 and would be carried at fair value.

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

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	(40,019)	(2,552)
Commercial	(34,853)	15,705
Industrial	–	5,900
Properties located in the PRC:		
Residential	(226)	8,232
	(75,098)	27,285

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

11(A). FINANCIAL ASSETS AT FVOCI

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt instruments at FVOCI		
Listed debt securities investment, at fair value and classified as non-current asset	37,576	37,720
Equity instrument designated at FVOCI		
Unlisted equity investment, at fair value and classified as non-current asset	28,000	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 are recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserves within equity. The Group transfers amounts from this reserve to retained profits when the relevant instrument is derecognised.

The debt securities investment is listed in Hong Kong and denominated in United States Dollar ("US\$"). As at 31 March 2020, the maturity dates of the listed debt securities were beyond one year after the end of reporting period.

11(B). FINANCIAL ASSETS AT FVTPL

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity instrument in Hong Kong, at fair value and classified as non-current asset (<i>Note</i>)	38,017	38,344
Listed equity securities in Hong Kong, at fair value and classified as current asset	21,727	26,502

Note:

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

There is a contractual obligation for the unlisted investee company to distribute proceeds from the sales of its investments or residual assets upon termination of the investee company to its shareholders. The change in fair value of the unlisted equity instrument during the Period is recognised in profit or loss and such investment was recorded as financial asset at FVTPL as at 31 March 2020 according to the relevant exemption in HKAS 32 and HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

12. TRADE AND OTHER RECEIVABLES

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

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

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	3,464	3,763
31 – 60 days	1,225	430
61 – 90 days	1,282	42
Over 90 days	925	332
Trade receivables, net	6,896	4,567
Other receivables	5,800	5,350
Less: Provision for impairment of other receivables	(2,515)	(1,658)
Other receivables, net	3,285	3,692
Total trade and other receivables, net	10,181	8,259

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

	<i>HK\$'000</i>
As at 1 October 2019	1,788
Provision for impairment of trade and other receivables	926
As at 31 March 2020	2,714

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

13. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

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

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	602	1,112
31 – 60 days	76	53
61 – 90 days	53	5
Over 90 days	2	2
	733	1,172
Other payables	15,124	18,955
Renovation fee and retention payable	3,085	3,080
Receipt in advance	1,523	2,128
Contract liabilities	5,593	3,626
Provision for repair and maintenance	8,142	4,861
	34,200	33,822
Total trade payables, other payables and deposits received	34,200	33,822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

14. BANK BORROWINGS, SECURED

The Group's bank borrowings comprise of bank loans and bank overdrafts of HK\$58,391,000 (30 September 2019: bank loans of HK\$55,000,000). Bank loans of HK\$55,000,000 (30 September 2019: HK\$55,000,000) contain repayment on demand clauses and therefore shown under current liabilities as at 31 March 2020.

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

The bank loans and bank overdrafts were secured by the Group's investment properties and time deposit amounting to approximately HK\$2,850,000,000 and HK\$34,599,000, respectively as at 31 March 2020 (as at 30 September 2019: investment properties of HK\$1,120,000,000).

As at 31 March 2020, the Group had unutilised banking facilities of HK\$462,609,000 (30 September 2019: HK\$436,000,000).

15. COMMITMENTS

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

	31.3.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:		
Property renovation costs	8,554	20,430
Investment in an unlisted investment fund	42,295	3,741
	50,849	24,171
Authorised, but not contracted for:		
Property renovation costs	11,640	11,657

16. PLEDGE OF ASSETS

As at 31 March 2020, (i) investment properties of the Group with a carrying amount of approximately HK\$4,843,000,000 (as at 30 September 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\$2,256,000 (as at 30 September 2019: HK\$2,312,000); and (iii) time deposit of the Group with a carrying amount of approximately HK\$34,599,000 (as at 30 September 2019: Nil) 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 2020

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value	Fair value measurements as at		
	as at 31 March 2020	31 March 2020 categorised into		
	HK\$'000	Level 1 HK\$'000 (Note i)	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets measured at FVTPL:				
– Listed equity securities in Hong Kong	21,727	21,727	–	–
– Unlisted equity instrument in Hong Kong	38,017	–	–	38,017
Equity instruments designated at FVOCI:				
– Unlisted equity investment in Hong Kong	28,000	–	–	28,000
Debt instruments at FVOCI:				
– Listed debt securities investment	37,576	37,576	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at 30 September 2019	Fair value measurements as at 30 September 2019 categorised into		
	HK\$'000	Level 1 HK\$'000 (Note i)	Level 2 HK\$'000	Level 3 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:

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

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity securities classified as equity instruments designated at FVOCI HK\$'000	Unlisted equity instrument classified as financial asset at FVTPL HK\$'000
Opening balance as at 1 October 2019	26,200	38,344
Addition during the period	–	36
Change in fair value, recognised in other comprehensive income	1,800	–
Change in fair value, recognised in profit or loss	–	(363)
Closing balance as at 31 March 2020	28,000	38,017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Description	Fair value as at		Valuation techniques and key input(s)	Unobservable input	Sensitivity analysis
	31 March 2020	30 September 2019			
	HK\$'000	HK\$'000			
<i>Financial asset measured at FVTPL</i>					
Unlisted equity instrument in Hong Kong	38,017	38,344	Adjusted asset-based approach and valuation is based on the fair value of the net assets of the underlying equity instruments.	Discount rate for lack of control at 30% (30.9.2019: 30%)	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
<i>Equity instrument designated at FVOCI</i>					
Unlisted equity investment in Hong Kong	28,000	26,200	Market approach and valuation is derived by the earnings attributable to owners of the investment, price-to-earnings multiples of comparable companies and discount for the marketability.	Discount rate for lack of marketability at 35% (30.9.2019: 35%)	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

There were no transfers between levels during the Period.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

18. RELATED PARTY TRANSACTIONS

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

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

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Accounting service income received from EVG	12	12
Licence income received from EVG	143	116
Repair and maintenance expense paid/payable to EVG	306	371
Addition of investment properties paid/payable to EVG	1,185	65

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Deposits paid to EVG included in deposits and prepayments	180	570

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Rental income received from B.L. Wong	510	510
Property management fee received from B.L. Wong	117	117

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

- (c) Compensation of key management personnel

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

	Six months ended	
	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Short term employee benefits	3,828	3,692
Retirement scheme contributions	40	40
	3,868	3,732

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 amounted to 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.