POKFULAM DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 225)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

The board of directors (the "**Directors**" and the "**Board**", respectively) of Pokfulam Development Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 30 September 2021. This announcement, containing the full text of the 2020/2021 annual report of the Company (the "**2020/2021 Annual Report**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in relation to the information to accompany the preliminary announcement of annual results. The printed version of the 2020/2021 Annual Report containing the information required by the Listing Rules will be despatched to the shareholders of the Company and available for viewing on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.pokfulam.com.hk on or before 14 December 2021 in the manner as required by the Listing Rules.

By Order of the Board
Pokfulam Development Company Limited
Wong Tat Chang, Abraham
Chairman, Managing Director and Executive Director

Hong Kong, 10 December 2021

As at the date of this announcement, the Board comprises Mr. Wong Tat Chang, Abraham (Chairman and Managing Director), Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel as executive Directors, and Mr. Li Kwok Sing, Aubrey, Mr. Sit Hoi Wah, Kenneth and Mr. Seto Gin Chung, John as independent non-executive Directors.


CONTENTS

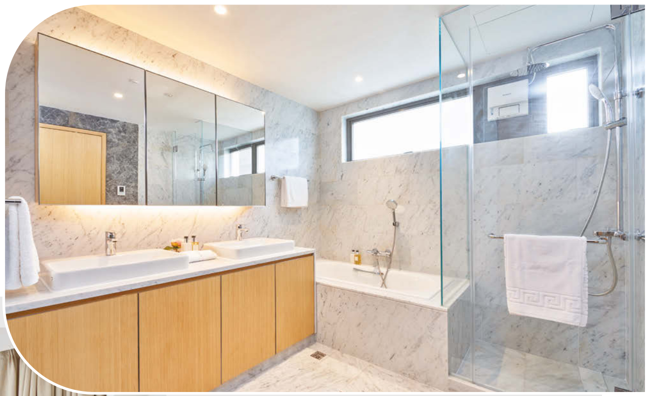
PROJECT HIGHLIGHTS

4 Headland Road

As one of the premier property management company in Hong Kong, creating the ideal living and work environment a top priority of ours. This is exemplified by the recent renovation of The Cove at No. 4 Headland Road, in which we transformed the building into one that is truly smart and energy efficient; it is the first BREEAM-certified residence in Asia in the category of "domestic refurbishment".

PROJECT HIGHLIGHTS

Nested in a serene neighbourhood between Repulse Bay and Chung Hom Kok in Island South, the building was first designed by renowned architect Jackson Wong and constructed in the early 1950's.



With the renovation, the project team aimed to preserve the property's masterful design and spaciousness while giving it a modern, luxurious twist. A new swimming pool and gym were added and the interiors were updated with natural, sustainable materials. Kitchens and bathrooms were luxuriously finished and equipped with high-specification features and technology.

Top-notch connectivity and industry leading smart building management are also defining features of The Cove. An all-encompassing i-BMS (Intelligent Building Management System) monitors all electrical systems in the building. Comprehensive smart home systems were installed in each of the six flats, and smart lighting and AV controls were installed into the lobby, gym and outdoor public areas.

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

Li Kwok Sing, Aubrey
Sit Hoi Wah, Kenneth
Seto Gin Chung, John

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham
Hui Sui Yuen

COMPANY SECRETARY

Hui Sui Yuen

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.

SOLICITORS

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

RESULTS FOR THE YEAR

The consolidated net profit of the Company and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the year ended 30 September 2021 was approximately HK$137.1 million, as compared to the consolidated loss of approximately HK$59.5 million in the previous year. Such results took into account the following major non-operating items:

- A revaluation surplus of approximately HK$95.2 million (2020: deficit of HK$114.0 million) on investment properties;
- Net revaluation gain of approximately HK$7.3 million (2020: losses of HK$11.6 million) on securities investments and equity instruments;
- Share of losses of joint ventures of approximately HK$19.0 million (2020: HK$0.4 million);
- Exchange gain on amount due from a joint venture of approximately HK$2.2 million (2020: HK$3.3 million);
- Net provision for impairment losses in respect of expected credit losses on financial assets of approximately HK$5.2 million (2020: HK$4.9 million); and
- Impairment of goodwill of HK$0.4 million (2020: Nil).

If the above items and their net taxation expenses of approximately HK$4.1 million (2020: HK$3.7 million) were excluded, the operating net profit after taxation and non-controlling interests of the Group for the year would have been approximately HK$61.1 million (2020: HK$71.8 million).

DIVIDEND

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of HK34 cents per share in respect of the year ended 30 September 2021 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 28 January 2022. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 9 July 2021, would give a total dividend of HK38 cents per share for the whole financial year (2020: HK38 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Monday, 17 January 2022, it is expected that the final dividend would be paid to the Shareholders on Monday, 14 February 2022.

BUSINESS REVIEW

A. Hong Kong

Rental Business –

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 3.8% below that of last year. Rental income from the Group's residential properties showed an increase of 6.5%. The increase was due mainly to the rental revenue generated from No. 4 Headland Road, after the completion of its renovation in the 4th quarter of 2020. On the other hand, rental income from the Group's commercial and industrial properties decreased by 21.5%. This is attributable to (a) the vacancy of the retail spaces of the Company's office building during the renovation program to improve the exterior and the infrastructural facilities of the building, and (b) the slowdown of the overall economy caused by the novel coronavirus disease 2019 (the "COVID-19") pandemic.

Elephant Holdings Limited ("EHL") –

EHL offers solutions to government and private end-users on digital displays and signage, public address systems, CCTV security systems, audiovisual systems and also high-end high fidelity audio systems.

EHL is one of our major subsidiaries and it contributed approximately 32% of the Group's sales revenue for the year under review. It brought a positive impact on the Group's profit.

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 with a total gross floor area of retail spaces of approximately 300,000 sq. ft. and car parking spaces. Subject to the prevailing market conditions, the fund's holding period of the investment in the properties will be approximately five years from its acquisition at the end of March 2019. As of 30 September 2021, the Group has already contributed HK$34.9 million capital to the TKO Fund. On the same date, our investment in the TKO Fund was valued at HK$37.6 million.

Other securities Investment –

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

Other Fund Investments –

Adams Street Private Income Fund LP

The Group has subscribed to invest in a private equity fund, namely the Adams Street Private Income Fund LP (the "Adams Fund"). The investment objective of the Adams Fund is to generate current income and attractive risk-adjusted returns with strong downside protection. The Adams Fund invests primarily in directly originated, 1st lien senior secured debt instruments of private equity-backed middle-market companies. As of 30 September 2021, the Group has contributed USD7.5 million to the Adams Fund. Our investment in the Adams Fund as at 30 September 2021 was valued at USD7.1 million. The Group has fully contributed its commitment to the Adams Fund.

Hundreds SH Fund LP

The Hundreds SH Fund LP (the "Hundreds Fund") is a limited partnership incorporated in the Cayman Islands. It is principally engaged in fund management. The investment objective of Hundreds Fund is to achieve long-term capital gains through investments in private or public companies that focus on either technology or online business in the People's Republic of China (the "PRC"). The main investment strategy of the Hundreds Fund is to gain an exposure to the companies by primarily investing in the Tencent Plus Partners II Fund (the "TPP II"). TPP II invests principally in late stage growth companies engaged in consumer internet verticals related to Tencent's business, technology, media and telecom and business-to-business e-commerce sectors. The Group has subscribed to invest in Hundreds Fund in the amount of USD2.0 million. As of 30 September 2021, the Group has contributed USD0.5 million to the Hundreds Fund, and our investment in the Hundreds Fund as at 30 September 2021 was valued at USD1.0 million.

B. Property Projects in Mainland China

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

The three shareholders of Silver Gain Development Limited (銀利發展有限公司) (the "Joint Venture Company") have agreed to realise the accumulated profit generated from this Project by disposing of their shares of equity interests in the Joint Venture Company (the "Disposal"), and the Disposal has to go through an open tendering process through the United Assets and Equity Exchange in Shanghai. Although the tender process commenced in September 2021, prospective buyers have been reluctant to put forth satisfactory offers due to the uncertain economic situation caused by the COVID-19 pandemic, and the enforcement of the new government policy on the property market in Mainland China. The three shareholders will continue with the tender process and seek out the best offer from the market.

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

Beijing's economy has begun to recover as effective control measures taken were able to limit the impact of the recent COVID-19 outbreak. The occupancy rate and monthly rental income of the units have increased in comparison to last year.

PROSPECTS

Just as countries across the world began to open their borders, the emergence of the Omicron COVID-19 variant has once again dampened the prospects of global economic recovery. As such, we expect the pandemic to continue to cast a cloud over the property rental markets, with the office and retail sectors still under strain. Thankfully, the stringent anti-COVID 19 measures adopted by the government have been able to limit the number of local infections to the minimum, which makes Hong Kong one of the globe's safest destinations for expats and businesses. Cross-border travel between the city and Mainland China is also slated to resume before 2022; we believe this to be a much needed shot in the arm for Hong Kong's economy as the moribund service sector will be able to regain some of the business lost.

Meanwhile, management has taken prudent measures to enhance the appeal of its properties and to ensure the quality of services provided. The measures include but are not limited to:

1. Renovation and upgrade of the Company's office building and residential properties; and

2. Adoption of flexible rental pricing strategies to proactively work with both office and residential tenants to sustain higher occupancy rates.

Finally, the renewal of the podium façade at Beverly House is scheduled to complete in early 2022 and the two retail units on the ground floor will be released to the rental market.

In light of the above factors, we are cautiously optimistic that the Group's rental income will remain stable in the coming year.

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

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

Hong Kong, 10 December 2021

FINANCIAL HIGHLIGHTS

REVENUE/NET OPERATING PROFIT

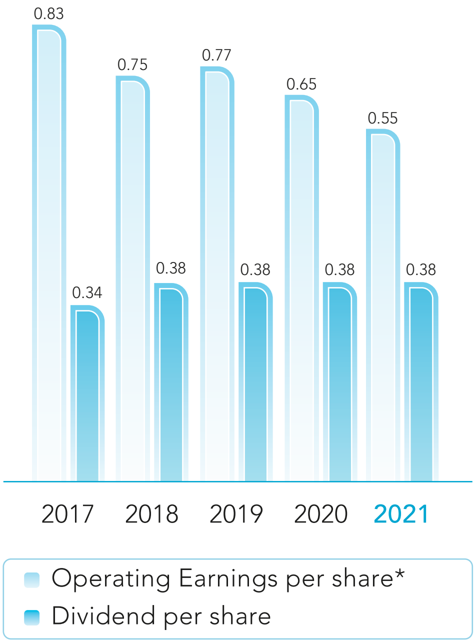
HK$ Million

SHAREHOLDERS' FUNDS/NET ASSETS PER SHARE

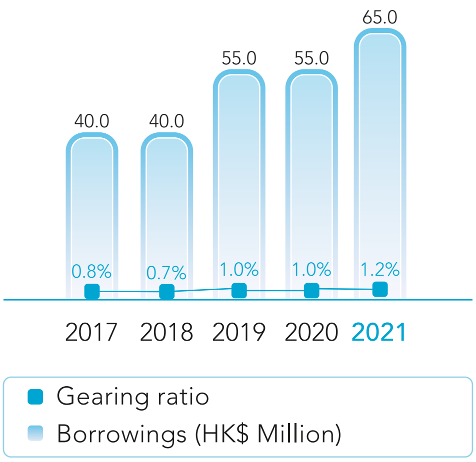
HK$ Million/HK$

OPERATING EARNINGS/DIVIDEND PER SHARE

HK$



GEARING/BORROWINGS



* Excluding the impacts of major non-operating items (net of taxation)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

WONG TAT CHANG, ABRAHAM

B.Sc. (Cornell), Ph.D. (Calif. Berkeley)
Executive Director (Chairman and Managing Director) (Age: 70)
Mr. Wong has been with the Group since 1981. Mr. Wong is the chairman of the nomination committee of the board of directors of the Company (the "Directors", the "Board" and the "Nomination Committee", respectively) and a member of the remuneration committee of the Board (the "Remuneration Committee"). He graduated from Cornell University, the United States of America ("USA") with a Bachelor of Science degree in mechanical engineering and holds a Master and a Doctor of Philosophy degrees in mechanical engineering from the University of California at Berkeley, USA. He is a director of certain subsidiaries of the Company. He is the elder brother of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both executive Directors ("EDs").

WONG TAT KEE, DAVID

B.Sc., M.Sc. (Stanford), MBA (Western Ontario)
ED (Age: 69)
Mr. Wong has been a Director since 1981. He graduated from Stanford University, USA with a Bachelor's and a Master's degree in mechanical engineering and also holds a Master of Business Administration degree from the University of Western Ontario, Canada. He has been involved in the building construction business in Hong Kong for over 40 years and is a director of B L Wong (Holdings) Limited and a number of other private companies. He is also a director of certain subsidiaries of the Company. He is the younger brother of Mr. Wong Tat Chang, Abraham ,an ED, the chairman of the Board (the "Chairman") and the managing Director and the elder brother of Mr. Wong Tat Sum, Samuel, an ED.

WONG TAT SUM, SAMUEL

B.Sc., B.A. (Tufts)
ED (Age: 66)
Mr. Wong has been a Director since 1981. He holds a Bachelor of Science degree in mechanical engineering and a Bachelor of Arts degree in economics from Tufts University, USA. He has been actively involved in the building construction industry and property investment, development and management. He is a director of B L Wong (Holdings) Limited. He is also a director of certain subsidiaries of the Company. He is the younger brother of Mr. Wong Tat Chang, Abraham,on ED, the chairman and the managing Director and Mr. Wong Tat Kee, David, an ED.

LI KWOK SING, AUBREY

ScB, MBA
INED (Age: 71)
Mr. Li was appointed as an INED on 30 September 2004. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. He holds a Master's degree of Business Administration from Columbia University, USA and a Bachelor of Science degree in Civil Engineering from Brown University, USA. He is a director of IAM Family Office Limited, a Hong Kong-based investment firm. He has over 40 years' experience in merchant banking and commercial banking. He is currently a non-executive director of The Bank of East Asia, Limited, and an independent non-executive director of each of Cafe de Coral Holdings Limited and Kowloon Development Company Limited, all being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SIT HOI WAH, KENNETH

LLB (Hons.)

INED (Age: 63)

Mr. Sit was appointed as an INED on 10 October 2005. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. The holder of a Bachelor of Laws (Hons.) degree from the University of Hong Kong, he is a practising solicitor and notary public in Hong Kong with over 30 years' experience in the legal profession. He is a partner of Messrs. Kenneth Sit, Solicitors. He is currently an independent non-executive director of Tree Holdings Limited (a company listed on GEM of the Stock Exchange).

SETO GIN CHUNG, JOHN

INED (Age: 73)

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

SENIOR MANAGEMENT

WONG CHIN YEE

General Manager (Age: 39)

Mr. Wong was appointed as general manager of the Company in January 2016. He is also a director of certain subsidiaries of the Company. He holds Master Degrees in Urban Planning and Public Administration from University of Southern California, USA. He has over 9 years of experience of international development, sustainable development and urban planning. He resided and worked in the People's Republic of China, the Socialist Republic of Vietnam and USA prior to returning to Hong Kong. He is a son of Mr. Wong Tat Chang, Abraham, the Chairman of the Board, the Managing Director of the Company and an ED, and a nephew of each of Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, both EDs.

HUI SUI YUEN

FCPA, ACA

Company Secretary and Financial Controller (Age: 42)

Mr. Hui joined the Group in July 2012 and is now the company secretary and financial controller of the Company, responsible for the company secretarial, financial and accounting matters of the Group. He is a director of certain subsidiaries of the Company. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. He has over 20 years' accounting and finance working experience.

DIRECTORS' MESSAGE

Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively as the "Group") is delighted to present our Environmental, Social and Governance ("ESG") report (the "Report") which aims to illustrate our policy development and performance in ESG aspects in 2020-21. The Report is prepared in a way to respond to stakeholders' expectations and feedbacks for a transparent and comprehensive disclosure of the management of sustainable development of the Group.

The Board of Directors assumes the overall responsibility for the sustainable development, and leads the Group to fulfil social responsibility. We have set up an ESG Working Group which reports to the Board annually. The ESG Working Group is delegated to handle ESG-related issues and has been tasked to develop and regularly review the ESG plan, and conduct stakeholder engagement and materiality assessment. Resources have been allocated to the ESG Working Group to empower it to commission external experts when necessary.

The Board monitors ESG performance and progress to ensure the Group's development direction is in line with the stakeholders' expectations through regular reports from the ESG Working Group. In addition, risk management of ESG-related issues is essential to the Board. With an aim to promote integrated risk management within the Group, we have engaged risk consultants to assess ESG-related risks and integrate them into the risk management and internal control system of the Group.

The Board believes that the preferences of the customers and tenants, and the latest developments in technological advancement are the driving forces that the Group should pay attention to further sustainability development. The Group believes that the pathway to sustainable development can reflect our corporate social responsibility, enhance corporate brand image, and improve crediting capacity.

The Group has adopted a cloud-based smart-home system developed and managed by our subsidiary in some of our properties. The system is able to reduce waste of energy of the electrical appliances by empowering the residents to take control of the system for their actual needs. Besides, the Group has installed solar panel in our properties at Headland Road. Electricity is sold and repurchased from the power company for the properties' use.

Looking forward, the Group is committed to listening to the feedbacks from stakeholders, and adopting viable technologies to enhance our sustainability performance as well as enhancing the experience of our customers and tenants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is delighted to present the Environmental, Social and Governance ("ESG") Report (the "Report"). The Report details the Group's ESG policies, measures, and performance. This ESG Report provides an annual update of the sustainability performance in respect of the material businesses and operations of the Group. It has been updated to reflect the interest of various stakeholders.

APPROACH TO ESG AND REPORTING

The Group's ESG philosophy is to commit and practice the collective role as a responsible corporate citizen. Through reporting to stakeholders on sustainable development performance, the Group aims at attaining transparency and responsibility of information disclosure and increased public confidence; at the same time helping stakeholders better understand the Group's sustainability progress and development direction.

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

SCOPE AND REPORTING PERIOD

This Report details the ESG performance of the Group for the period from 1 October 2020 to 30 September 2021 (the "Reporting Period"). The reporting scope includes the property investment and management businesses, and the trading business of the Group. The selection is based on financial significance and the Group's operational influence, as well as on the ESG significance to the Group and its stakeholders. The trading business is a new coverage in the Reporting Period.

In respect of environmental and social policies, this Report covers the businesses under the above scope.

For KPIs other than employment, adding to the Headquarter Office in the last ESG Report, the Group expands the coverage to four additional properties and their public areas that the Group owns and manages (they are one commercial property, namely Beverly House, and three residential properties, namely Kennedy Court, and No. 3 & 4 Headland Road), as well as the trading business.

For KPIs related to employment, the coverage is expanded to cover the Group's entire workforce stated in the Annual Report, except for those workforce outsourced for properties not owned by the Group. In substance, these workforce is controlled and reimbursed by the relevant owners.

The expansion of the scope serves to provide a more comprehensive representation of the Group's performance.

REPORTING STANDARD AND REPORTING PRINCIPLES

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

1. **Materiality**: We regularly communicate with stakeholders to better understand their concerns relating to sustainability issues that affect them. Stakeholder engagement, materiality assessment and reference to peers, local and regional sustainability criteria serve as the foundation to improve sustainability context, materiality and disclosures.

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

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

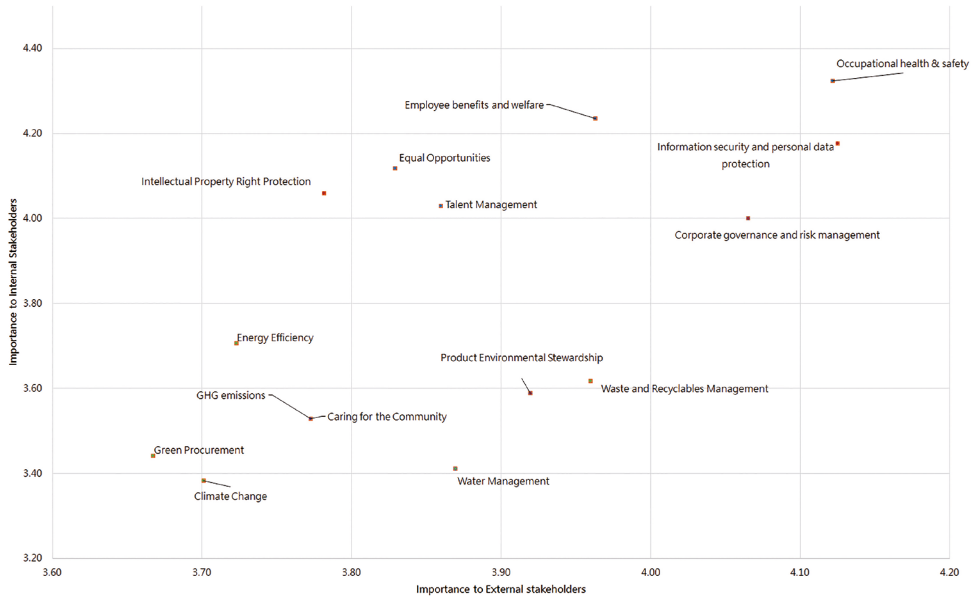
4. **Consistency**: Report scope has been updated, and figures in 2019/20 for training rates of employees by categories were restated according to the latest reporting recommendations by HKEx.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

With an aim to identify stakeholders' key concerns with reference to the ESG Reporting Guide, the Group conducted a stakeholder engagement survey from April to May 2021. Our employees, customers, and suppliers were invited to participate in the survey and to grade various ESG aspects according to the level of materiality for the stakeholder groups they are in.

The importance of each reporting aspect was then determined by compiling the degrees of importance, with a range of 1 to 5, given from all the participants. The importance grade from each stakeholder category was the average among all respondents within that stakeholder category. The overall importance grade across multiple stakeholder categories was then the average of each categorical importance grade.

A materiality matrix was prepared to clearly illustrate the result by placing each aspect with regard to its importance grade to internal stakeholders consisting of employees and to other external stakeholders consisting of customers and suppliers. Any aspect with a score equal or greater than 3 is considered material to that group of stakeholders.



Occupational health & safety was the most material aspect determined in the stakeholder engagement and materiality assessment. All ESG aspects were ranked over 3 by both internal stakeholders and external stakeholders, and were thus concluded to be material.

The table below lists out the actions taken by the Group in some of the most material topics.

Aspects	The Group's actions
Occupational health & safety	• Encourage and fully subsidize company employees to enroll in courses organized by the Occupational Health and Safety Council • Require everyone to wear masks in and out of the workplace or residence, and take their body temperature and disinfect their hands in response to the COVID-19 pandemic
Information security and personal data protection	• The Group uses only licensed software. Information is stored in the Group's server, the access to which is password-protected. Files and information can only be accessed through encrypted channel when outside the Group. • The personal information in the Group is isolated from the storage in the server, and can only be accessed by designated staff.
Employee benefits and welfare	• The Group provides flexible working hours when applicable, subsidies for on-the-job training, and medical benefits for employees. The Group has also extended the medical benefits to the spouses of employees.

The Group believes that the feedbacks from the stakeholders not only facilitates a comprehensive and pertinent assessment of its ESG performance, but also helps improve our performance accordingly.

Through engagement with stakeholders, the Group has received various comments and feedbacks. The table below summarises some of the feedbacks and the Group's responses.

	Feedbacks	The Group's actions and responses
Customers	We expect the Group to phase out old appliances, install motion-sensing lightings in hallway and car parks, and replace conventional windows with double-glazed windows in order to lessen energy consumption. We suggest renovating the rest space for the staff with better amenities and privacy to boost the morale of the staff.	The Group welcomes proposals from tenants to improve environmental performance to be included in the lease with mutual agreement. The Group will further explore feasible energy saving lightings with lux or motion sensor. The Group will also consider sun control window films to enhance heat management as a faster and easily-installed option. The Group appreciates customers' consideration on our employees' well-beings. The Group equips rest place with basic home appliances (fridge, sink, and microwave oven) for staff at work. The Group's head office will also be renovated.
Suppliers	The Group's ESG framework will help us understand the future targets and changes the Group is heading. Helping us to understand more and able to adapt effectively. We also expect the Group to effectively convey the ESG mission and objectives set by the management team to the frontlines.	Timely training with updated information should be provided to all staff members. It is necessary to ensure relevant and material ESG information including the Group's long-term, medium-term and short-term goals set for the various areas to be communicated to the Group's stakeholders, including employees, tenants, and suppliers in a consistent and timely manner. Over the years, the Group has observed increased awareness across various ESG topics.
Employees	The Group can enhance communication and cooperations between employees and be more proactive in implementing ESG goals.	The Group has set up a ESG Working Group to spearhead ESG initiatives.

The Group communicates with the stakeholders in an open, honest and positive manner through various channels, including results announcements and annual reports. In addition, the Group shares the latest information about the Group with the stakeholders on the online platforms, such as the Group's website.

The operation of the Group affects a spectrum of stakeholders, such as investors, employees, suppliers, occupant and guest, who have different expectations on the Group. The Group will continue to maintain its communications with the stakeholders and collect opinions from the stakeholders through various channels for the purpose of improving its ESG approaches. The Group also leverages the convenience of mobile messaging application by setting up a Whatsapp channel in the Reporting Period to promptly disseminate relevant information.

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

A. ENVIRONMENT

The Group's businesses in property investment and management, and trading do not emit significant discharges, such as nitrogen oxides, sulphur oxides, and respirable suspended particulates or any significant volume of hazardous or non-hazardous waste. The Group nevertheless considers it equally vital to bear the accountability in caring for the environment. On top of complying to all applicable local environmental laws and regulations, the Group strives for enhanced energy efficiency and reduced carbon emissions within its premises. The following are some of the initiatives on environmental protection.

The Group was in compliance with relevant laws and regulations, and was not aware of any material violations of local rules and regulations relating to air (Cap. 311 Air Pollution Control Ordinance), greenhouse gas emissions, water and land discharges (Cap. 358 Water Pollution Control Ordinance), and generation of hazardous and non-hazardous waste (Cap. 354 Waste Control Ordinance) during the Reporting Period.

1. Greenhouse Gas Emissions

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

(a) Greenhouse Gases Emissions

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

The air emissions generated by the Group during the Reporting Period increased due to higher vehicular mileage and the expansion of the reporting scope covering the newly-included trading business. The total GHG generated by the Group during the Reporting Period was 760.38 tonnes of carbon dioxide equivalent (2019/20: 25.66), with an intensity of 3.03 tonnes of carbon dioxide equivalent per working day (2019/20: 0.10), comprising mainly electricity consumption and fuel consumptions. The substantial increase was due to the expansion of the reporting scope.

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

Type of Air Emissions	Emission Source	Emission (in kg)	
		2020/21	2019/20
SO_X	Group vehicles	**0.10**	0.08
NO_X	Group vehicles	**7.34**	3.51
PM	Group vehicles	**0.63**	0.26

Table 1 – Air Emissions

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO_2e)		Total Emission (in percentage)	
		2020/21	2019/20	2020/21	2019/20
Scope 1					
Direct Emission	Group vehicles	**18.11**	13.48	**2.38**	52.55
Scope 2					
Indirect Emission	Purchased electricity	**736.21**	11.18	**96.82**	43.58
Scope 3					
Other Indirect Emission	Disposal of paper waste	**6.06**	1.00	**0.80**	3.87
Total		**760.38**	25.66	**100.00**	100.00

Table 2 – Total Greenhouse Gas Emissions

The Group has established an emission reduction pathway with a long-term perspective as a directional target. The Group has been pursuing best practices to curb carbon emissions. In order to reduce carbon dioxide and other air emissions generated by electricity consumption, the Group advocates energy efficiency. Through below means, the Group enhanced electricity consumption, therefore, reduced GHG emissions:

- Adopting a cloud-based smart-home system to enhance energy efficiency by enabling variable on-demand responses;
- Installing solar panel in its properties to generate electricity. Electricity is sold and repurchased from the power company for the properties' use;
- Purchasing Renewable Energy Certificate from the power company to support renewable energy;
- Giving priority to products with better energy-efficiency when replacing electrical equipment;
- Maintaining a room temperature of 25.5°C;
- Installing timing devices in some equipment for automatic shutdown during non-office hours to avoid unnecessary energy consumption;
- Putting up conspicuous signs by the switches of air conditioners;
- Reminding employees to close the doors and windows when turning on the air conditioners;

- Cleaning the air conditioners regularly to improve operational efficiency; and

- Using natural light as much as possible during daytime to reduce the use of lighting.

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

(b) *Waste Management*

The Group adheres to the principles of waste management and strives to properly handle and dispose of waste generated from business activities. Due to the business nature, the Group did not generate a significant amount of hazardous waste during the Reporting Period, while the major non-hazardous waste generated was paper, with a weight of 1,262.5 kilogram (2019/20: 206.25), equivalent to 5.02 kilogram per working day (2019/20: 0.84). The substantial increase was due to the new inclusion of the Group's trading business into the reporting scope.

The Group has established a long-term waste reduction pathway as a directional target, the Group has been pursuing best practices to reduce waste generation and to promote recycling activities. The Group has widely adopted electronic systems for daily operations to minimize the use of paper to reduce waste. The Group minimises the use of plastic products and recycles used materials in Group activities. We have been continuously introducing recycling bins to all of our properties and encouraging our tenants and employees to use the facilities for waste separation.

Non-hazardous Waste	Unit	Consumption Quantity		Intensity (Consumption/ Working day)	
		2020/21	2019/20	**2020/21**	2019/20
Paper	kilogram	**1,262.50**	206.25	**5.02**	0.84

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

2. Use of Resources

The Group acknowledges the idea of resources conservation and efficiency enhancement to achieve green production. The Group has taken various actions to improve energy efficiency, as well as curbing paper and water consumption to achieve this conception. The Group aims to improve the efficient use of energy and water through monitoring and managing their consumption. Given the business nature, the use of packaging materials is irrelevant to the business of the Group. Set out in the following section are details of the consumption of energy and water resources.

(a) Resources

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

Resources	Unit	Consumption Quantity		Intensity (Consumption/ Working day)	
		2020/21	2019/20	**2020/21**	2019/20
Water	m^3	**4,659.76**	178.03	**18.56**	0.73
Electricity	kWh in '000s	**1,036.91**	13.81	**4.13**	0.06
Liquid Fuel	kWh in '000s	**64.13**	–	**0.26**	–

Table 4 – Total resources usage by the Group

The substantial increase was due to the expansion of the reporting scope. In order to maximize resources efficiency. The Group adopts and promotes green practices as follows:

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

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

(b) *Energy and Water*

Electricity is a key attributor to the Group's energy consumption. The Group has established an energy reduction pathway with a long-term perspective as a directional target, the Group has adopted various measures to reduce electricity consumption such as adopting a cloud-based smart-home system to enhance energy efficiency by enabling variable on-demand responses, and installing solar panel in its properties to generate electricity from renewable source. Electricity generated is sold to the power company at HK$5 per unit and repurchased at HK$0.5 per unit. The Group believes this is both a worthwhile investment and a step in the right direction to reduce our carbon footprint.

Despite the fact that the Group does not have any issue in sourcing water that is fit for purpose, the sustainable and responsible use of water resources remains a key issue globally. The Group has established a water consumption reduction pathway with a long-term perspective as a directional target, the Group strives to minimize water leaks that lead to wastage of water resources and has taken various measures to reduce water wastage. In case of burst of water pipe, the property management would communicate with the Water Supplies Department for follow-up and repair. Worn-out water supply facilities are checked and repaired from time to time to prevent water leakage. In order to raise awareness of water conservation, the Group promotes water-saving practices in the workplace. For instance, the Group offers tips to conserve water and shares them internally.

3. The Environment and Natural Resources

The Group persists in the protection of the environment and natural resources as an essential part of our corporate values. Whilst continuously effort to reduce resource consumption and environmental impacts, the Group will explore approaches to advance profitability and continue with our commitments to sustainability.

In addition to the identification, assessment, and management of potential adverse environmental impacts, the Group will remain committed to striking the balance between the business and the environment, and pursue long-term sustainability development. The Group will continue to take environmental protection and conservation of natural resources into considerations in the midst of reviewing our business strategies and planning future development.

4. Climate Change

The Group has conducted a risk assessment to review the potential impact of climate change on our business, and formulated plans to mitigate such risks to ensure the potential impact to the business can be kept at minimal.

Facilities, equipment and physical environment of properties such as walls, lifts etc. may be vulnerable to extreme weather events such as typhoon and flooding, leading to damage which requires repair and maintenance. This physical risk may increase the expenditures for repair and maintenance and preventative measures. In response, the Group has ensured property management personnel to place adequate sand bag at low-lying areas to prevent damage of properties due to extreme weather event such as flooding.

In view of the increasing public awareness on environmental protection and climate change issue, there is a rising preferences in adopting low-carbon measures and low-carbon service providers. This transitional risk may reduce demand for goods and services due to shift in consumer preferences. The Group has identified energy consumption as the most material aspect and has adopted a cloud-based smart-home system to enhance energy efficiency by enabling variable on-demand responses.

In addition, there is a rising market trend for low-carbon construction materials for properties. This transitional risk may increase the Group's expenditures on construction materials to meet the market trend. In response, for replenishments, the Group would prioritize the purchase of low-carbon construction materials, such as glass that can block infrared radiation to lower heat transfer into the building interior.

Last but not least, there is a rising market trend for energy efficient appliances and relevant measures. This transitional risk may increase the Group's capital expenditures to meet the market demand. On top of the cloud-based smart-home system mentioned above, the Group installed solar panel in its properties at Headland Road. Electricity is sold and repurchased from the power company for the properties' use.

B. SOCIAL

The Group believes that employees are the most treasured assets, and the foundation for our sustainable development. Our employees provide key contribution to the quality of the products and services offered by the Group.

With an aim to mobilize all employees to contribute to the long-term sustainable development of the Group, the Group endevours to establish a safe, healthy, fair, and non-discriminative work environment and uphold a pleasant employer-employee relationship.

1. Employment and Labour Practices

The Group acknowledges that a policy of equal employment opportunity can enhance employee satisfaction, which in sequence benefits employee retention and encourages outstanding talents and therefore strengthens the Group's business development. Fairness, honesty, and integrity are emphasised in the process of recruitment, dismissal, and promotion as part of the principle of equal opportunity. The Group is therefore committed to providing a fair and safe work environment with equal opportunities to staff and embracing diversity regardless of nationality, race, religion, gender, age, physical abilities, pregnancy, or family status. The Group was awarded with Good MPF Employer Award by Mandatory Provident Fund Schemes Authority, as a recognition of the our efforts to support the retirement protection for employees.

As of 30 September 2021, there were 76 employees (2019/2020: 18) in the Group's workforce. The substantial increase was due to the new inclusion of other premises and the trading business into the reporting scope. The majority of the Group's employees located in Hong Kong with around 97% is full-time employees.

The employee compositions and turnover rate are illustrated as follows:

Workforce by Geographical Region

Chart 1 –
Workforce by Geographical Region

Workforce by Gender

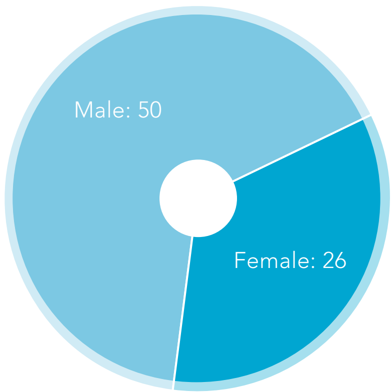


Chart 2 –
Workforce by Gender

Workforce by Employment Type

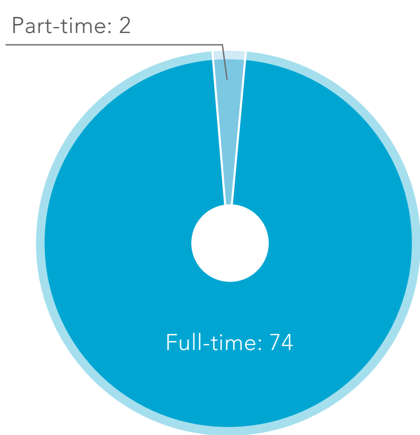


Chart 3 –
Workforce by Employment Type

Workforce by Age Group

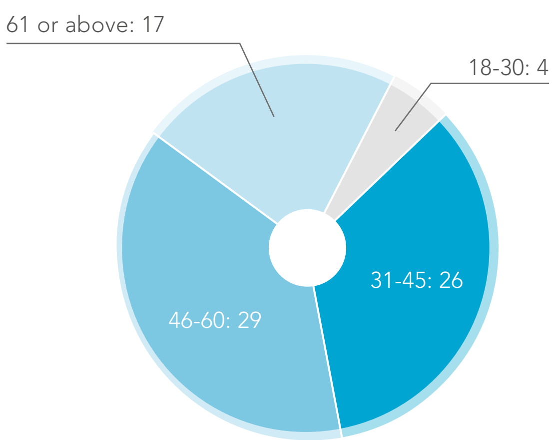


Chart 4 –
Workforce by Age Group

Employee Turnover rate by categories	2020/21	2019/20(Note 1)
Gender		
Male	24%	0%
Female	23%	10%
Age Group		
18 – 30	25%	100%
31 – 45	23%	0
46 – 60	21%	0
61 or above	29%	0
Geographical Region		
Hong Kong	24%	6%
Total	24%	6%

Table 5 – Employee Turnover rate by categories

(Note 1) Figures in 2019/20 were restated as turnover rate instead of distribution proportion.

The overall turnover pattern in the Reporting Period differs from the last period due to the new inclusion of other premises and the trading business into the reporting scope.

(a) Remuneration

The Group rewards employees' contributions impartially and objectively by executing equitable remuneration policies. To this end, the Group established a corresponding policy and included it in the employee handbook to incentivise employees. To exemplify, the policy covers recruitment, promotion, discipline, working hours, leaves and other benefits. The remuneration packages are regularly reviewed and adjusted to remain the Group's competitiveness in the labour market.

(b) Compliance

During the Reporting Period, the Group did not receive any case of material violation of the relevant employment laws and regulations including the Employment Ordinance (Cap. 57), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487).

2. Health and Safety

The Group is committed to fostering a working environment where safe is of paramount importance. To this end, all levels of management and supervision of the Group are required to be accountable for active involvement in safety management and adoption of all feasible practices to create a safe working environment and safeguard employees from occupational hazards.

(a) *Health and Safety Management*

In order to fulfil our commitment, the Group provides occupational safety and health training to ensure that all parties, both internal and external, comply with the established safety standards. To maintain safety awareness, our workforce regularly enrolls occupational health and safety seminars conducted by the Labour Department. First aid boxes have also been placed in our workplace for emergency preparedness.

In addition, as an initiative to enhance the well-being of our employees, the Group has set up an outdoor recreational area and green zone at the podium of our Head Office for employees to relax. To facilitate our employees to communicate occupational safety and health information, we also set up a mobile social group as a communication channel. Thanks to these measures, the Group have achieved an excellent result in occupational safety and health.

During the Reporting Period, the Group found no case of material violation of laws and regulations related to occupational safety and health, nor did it receive any complaints about work conditions. Also, there were no work-related deaths (2019/20: none, 2018/19: none) nor lost day due to work injuries during the Reporting Period.

(b) *COVID-19 Pandemic*

In the Reporting Period, COVID-19 still posed a serious threat to public health. The safety and security of customers, employees, and other stakeholders are identified as top priority. In order to help prevent the spread and infection of COVID-19, the Group has implemented preventive measures in accordance with the guidance set out by government authorities. As an example, the Group provided hand sanitizers and masks in offices, and arrange flexible working hours if necessary.

(c) *Compliance*

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

3. Development and Training

The Group believes that it is important for an enterprise to discover talents and cultivate team spirits for sustainable development. On top of identifying and retaining the best talents, through on-the-job training, seminars, workshops, site visits and formal training programmes, the Group provides employees with opportunities to develop their knowledge and skills. Furthermore, the Group established a policy to subsidise employees' education.

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

Percentage of employees trained	2020/21	2019/20(Note 1)
Proportion of employees by gender in total employees who took part in training		
Male	55%	41%
Female	45%	59%
Proportion of employees by employee category in total employees who took part in training		
Senior management	36%	47%
Middle management	23%	29%
General employees	41%	24%
Percentage of total employees who took part in training	29%	94%

Table 6 – Training Received by Employee Category

(Note 1) Figures in 2019/20 were restated according to the latest reporting recommendations by HKEx.

Average training hours completed	Training hours 2020/21	2019/20
Gender		
Male	2.8	16.7
Female	0.6	14.5
Employee category		
Senior management	1.0	16.6
Middle management	0.6	16.0
General employees	2.6	12.8
All employees	1.7	15.4

Table 7 – Average Training Hours Completed by Employee Category

The substantial drop in average hours was primarily due to less training course can be attended by the employees as a result of Covid-19 pandemic.

4. Labour Standards

The Group's labour standards primarily focus on conformity with local labour laws and regulations. At all levels, child and forced labour are prohibited in the Group. The Group established a strict recruitment policy and document checking mechanism such that only applicants meeting the legal age requirement are employed. Further, labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking are strictly forbidden. Employment contracts in compliance with labour laws are signed between the Group and the employees to clearly stipulate the duties and the rights of both parties. The Group promotes work-life balance and does not encourage working overtime. Employees may also apply for flexible working hours depending on the work situation.

The Group strictly observes the employment regulations, relevant policies and guidelines of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). There were no non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period, and therefore no follow-up action was required.

5. Supply Chain Management

The Group attaches great importance to transparent communication and cooperation with suppliers so as to achieve sustainable growth together. The supply chain of the Group consists of a range of contractors and suppliers. The Group continuously strengthens cooperation with suppliers through close communications and, as a result, improves their capability to supply environmentally friendly products.

The Group developed operation protocols for all contractors and suppliers with a goal to establish an efficient and sustainable supply chain with suppliers and service providers. For instance, the Group does not approve contractors to conduct noisy work on public holidays. For the environment and the health and safety of customers, we also prohibit the use of hazardous materials and request contractors and suppliers to use materials that fulfil international environmental standards. Contractors are also required to follow waste handling guidelines. We also instruct our contractors and suppliers to provide information related to environmental protection, together with quotations and contracts. The Group monitors the performance of contractors and suppliers through periodic performance assessment of suppliers and service providers, and engagements them with various channels such as face-to-face meetings, site visits, phone conferences and e-mail. The practice is implemented in our 133 contractors and suppliers.

The Group reviews the procurement content and the work content before issuing any procurement order to identify any environmental and social risks involved in the goods and services. Should any probable risk is identified, the Group will liaise with the supplier or contractor to include corresponding mitigation requirements in their scope of work before any purchase order is issued. The agreed measures will then be monitored through periodic assessment as well as site visits.

The Group also prioritizes the phase-out and replacement of aging appliances and equipment with more efficient counterparts. The procurement selection process also takes into account of the environmental performance of the potential products and services as one of the many considerations. For example, the Group prioritizes feasible energy saving lightings with lux or motion sensor, and consider sun control window films as a faster and easily-installed option to enhance heat management. The Group monitors the available options in the market to facilitate an environmental-benign procurement decision.

Chart 5 – Number of Active Contractors and Suppliers

6. Product/Service Responsibility

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

- The saleable area provided in the vacancy listing is official information obtained from Rating & Valuation Department.
- Before the prospective tenants, whether they are introduced by estate agents or direct one, enter into any lease agreement/offer with us, they would be shown the properties so as to have an actual understanding of the facilities and existing interior condition to avoid any dispute in the future.
- Only a licensed estate agent shall be appointed.
- When the property is handed over, a list of contacts will be provided to the tenant. For any enquiry about tenancy matters or repair requests, the leasing managers will be the key contact point, and will then gather the necessary information from the respective departments and give a reply to the tenant. Means of communication include email and phone.

- The handover quality and provisions will be based on the Group's pre-set standards.

- Our Property Management and Technical Departments maintain a high standard of service to ensure the health and safety of our tenants and customers.

Complaints and recalls received	Percentage of total (%)	
	2020/21	2019/20
Total works completed subject to recalls for safety and health reasons	0	0
Number of works and service-related complaints received at corporate level	0	0

Table 8 – Complaints and recalls received

The Group's primary business is in property management and investment, and the Group does not have material activities in terms of advertising and labelling since the Group normally appoints licensed estate agents who has their owned advertising strategies. Thus the policies in our Group focus on service quality control, complaint, handling, privacy, etc.

(a) Quality and Compliance Control Flow

Committed to delivering outstanding services to clients, the Group established a quality and compliance control flow:

- During the lease negotiation stage, and before the lease offer is sent out, the Leasing and Technical Departments have mutual understanding on the condition of the flat, work agenda to be agreed and the expected handover condition.

- The Technical Department works out the scope of work based on the offered terms and the existing condition of the flat.

- The contractor is required to provide photographic evidence for hidden items. During the course of work, we will send representatives to check the status of work from time to time.

- After work completion and before handover, the Leasing and Technical Departments jointly check on the flat's condition to ensure all the agreed work items have been completed to the Group's satisfaction.

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

Our subsidiary was also certified with ISO 9001 Quality Management System. This achievement demonstrates our systematic capability to consistently deliver quality products and services.

(b) *Customer and Tenant Complaints*

In order to achieve continuous service enhancement, the Group treasures feedbacks or complaints from our stakeholders. To this end, the Group utilised the "Upkeep" and "SleekFlow" complaint management tool which enables timely handling of enquires and complaints. Additionally, the Group established a comprehensive complaint handling procedure and ensure all employees follow the protocol for data security.

Complaints are normally about repair and maintenance. Upon receipt of a tenant's complaint, the following procedures will be carried out:

- Inspection by our in-house technicians to assess the problem and determine whether the work can be fixed in-house or need to be outsourced.
- For urgent cases, representatives from the Technical Department will visit the site on the day or the day following the complaint to decide upon the scale and scope of rectification works.
- Temporary measures to prevent the situation from deteriorating will be adopted, if possible.
- To obtain a quotation for management approval and to have works conducted at a date/time mutually agreed between the landlord and the tenant.

(c) *Customer Information Protection and Privacy Policy*

The Group has established stringent protocols and requirements for the management of talents' and customers' information. By standardizing the collection, possession, usage and processing of such information, the information would be handled in a legal, prudent and confidential manner to ensure the security of customer information. We would also clearly explain the aim and purpose of such collection to our customers before any collection takes place.

The Group has established control over handling private information to better safeguard customers information. To exemplify, individual record sheets are provided for visitors to fill in their particulars. The data is only used for record purposes and the prevention of crime. To ensure data protection, the data collected is destroyed periodically. The implementation of such measure is monitored by the Property Manager.

(d) *Intellectual Property Rights*

The Group respects intellectual property rights and does not use any unauthorised software All our software are acquired from the official vendors, and are licensed with subscription fee if applicable.

(e) *Compliance*

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

7. ANTI-CORRUPTION

The Group does not tolerate bribery, extortion, fraud and money laundering. Honesty, integrity and fair play are important assets in the Group's business. Anti-bribery and anti-corruption standards have been incorporated in the Group's internal policies and operating practices and these are communicated to employees as well as external stakeholders.

(a) *Anti-corruption Measures*

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

In order to make employees and directors aware of the code of practice, the Group engages in numerous channels of communication and training. All Company employees and directors are provided with training regarding anti-bribery and corruption upon their joining of the Group as part of our overall ethics training. Furthermore, focused ethics and anti-bribery and corruption training will be provided periodically to applicable professional functions. Also, the Group will make third parties with whom it conducts business aware of this Policy and, where appropriate, will provide corresponding training. In the Reporting Period, the Group invited ICAC to give a talk to its employees on prevention of corruption in July 2021. The training participants were employees only. 19 of our employees were trained for a total of more than 40 man-hours.

The Group adopted the code provisions set out in the Corporate Governance Code under Appendix 14 of the Listing Rules. Board of Directors members are responsible for corporate governance. The Board has delegated certain responsibilities to committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

At the employee level, to avoid creating any possible conflict of interest whilst handling matters with our residents, commercial tenants or contractors or any other persons with whom the Group may have dealings, employees are required to declare any conflict of interest. We also have our code of business conduct binding on all employees to avoid any impropriety.

(b) *Whistle-blowing Policy*

The Group has set up whistle-blowing procedures applicable to all parties including internal as well as external informers. Any complaints or whistle-blowing of a suspected breach of this Code can be made either verbally or by confidentially writing to the Audit Committee; all issues will be treated promptly and fairly. In cases of suspected corruption or other criminal offences, a report may be made to the appropriate authority.

(c) *Compliance*

During the Reporting Period, the Group was in compliance with all local rules and regulations relating to bribery, extortion, fraud and money laundering including CAP 201 Prevention of Bribery Ordinance. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees in the Reporting Period.

8. COMMUNITY INVESTMENT

Achieving economic viability and fulfilling social responsibility is the Group's definition of a successful business. The Group therefore encourages employees to participate in volunteer work, nurturing a culture of care and mutual support.

(a) *Green Culture*

To support the building of green culture and protecting the natural environment, this year the Group continued to support World-Wide-Fund (WWF) during the Reporting Period. In the period, the Group also joined Green Low Carbon Day organized by the Community Chest of Hong Kong. The Group has also acquired the Business Environmental Council membership. It is believed that by joining the platform the Group gain opportunities across all sectors to facilitate Hong Kong's sustainable development.. In the Reporting Period, the Group contributed HKD30,000 to the course of green culture.

(b) *Helping the Beneficiaries*

The Group is committed to the pursuit of sustainable development as well as contribute to the advancement of society. During the Reporting Period, the Group joined Skip Lunch Day 2021 hosted by the Community Chest of Hong Kong, and donated HKD5,000 to this organization.

OUTLOOK

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

CORPORATE GOVERNANCE REPORT

The board of directors of Pokfulam Development Company Limited (the "Company", the "Directors" and the "Board", respectively) is pleased to present this corporate governance report for the year ended 30 September 2021 (the "Year").

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance practices to be essential to the promotion of the value of the Company's shareholders (the "Shareholders") and the confidence of the investors.

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Code of Corporate Governance contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange", the "Listing Rules" and the "Code" , respectively) as the corporate governance code of the Company.

During the Year, the Company has complied with all the Code Provisions as set out in the Code, except for Code Provisions A.2.1 and A.4.1, details of which are explained below. The Company has committed to maintaining high corporate governance standards. The Company devotes considerable efforts to identify and formalize the best corporate governance practices suitable for the Company's needs. In addition, the Company reviews regularly its organizational structure to ensure that operations are done in compliance with good corporate governance practices as set out in the Code.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Company and its subsidiaries (the "Group"). The Board has also established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decisions all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial reports, appointment of Directors and other significant financial and operational matters.

All Directors are committed to carrying out their duties in good faith and in compliance with the applicable laws, rules and regulations and in the best interests of the Company and the Shareholders at all times.

The day-to-day management, administration and operations of the Company are delegated to the managing director of the Company (the "Managing Director") (who is also the chief executive within the meaning of the Listing Rules) and the senior management of the Company (the "Senior Management"). The delegated functions and responsibilities are formalized and adopted in written terms, and they are periodically reviewed by the Board. The Managing Director and the Senior Management are required to obtain prior approval from the Board for any significant transactions.

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

Board Composition

The Board currently comprises six members, namely three executive Directors (the "EDs") and three independent non-executive Directors (the "INEDs"). The number of INEDs represents half of the Board, which exceeds the one-third requirement of Rule 3.10A of the Listing Rules.

The Board comprises the following Directors:

EDs

Mr. Wong Tat Chang, Abraham ("Mr. Abraham Wong") *(chairman of the Board (the "Chairman"), Managing Director, chairman of the Nomination Committee and a member of the Remuneration Committee)*
Mr. Wong Tat Kee, David ("Mr. David Wong")
Mr. Wong Tat Sum, Samuel ("Mr. Samuel Wong")

INEDs

Mr. Li Kwok Sing, Aubrey ("Mr. Li") *(chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee)*
Mr. Sit Hoi Wah, Kenneth ("Mr. Sit") *(chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)*
Mr. Seto Gin Chung, John ("Mr. Seto") *(member of the Audit Committee)*
Mdm. Lam Hsieh Lee Chin, Linda ("Mdm. Lam") retired on 1 December 2020

A list of the Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules and is available on the respective websites of the Company and the Stock Exchange.

The biographical information of the Directors, and the relationships amongst them, if any, are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 10 and 11 of this annual report.

During the Year, the Board has at all times met the requirements of the Listing Rules relating to the composition and number of INEDs in the Board by appointing at least three INEDs with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise and representing at least one-third of the Board. The Company has received a written annual confirmation from each INED of his independence pursuant to the requirements of the Listing Rules. The Board, after the assessment of the nomination committee of the Board (the "Nomination Committee"), considers that all INEDs are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company has adopted a board diversity policy (the "Board Diversity Policy") in accordance with the requirement set out in Code Provision A.5.5 of the Code. The Company recognizes and embraces the benefits of having a diverse board, and sees diversity at board level as an essential element in maintaining a competitive advantage. A truly diverse board will include and make good use of the broad array of gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service and other qualities of the members of the Board. These different qualities and, if appropriate, independence will be considered in determining the optimum composition of the Board and, when possible, should be balanced appropriately. All appointments of the members of the Board are made on merit, and contribution that the selected candidates will bring to the Board.

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The INEDs have been appointed to serve on the Nomination Committee and the Board's audit committee (the "Audit Committee") as well as remuneration committee (the "Remuneration Committee"). All these Committees provide appropriate advice to the Board.

Appointment, Re-election and Succession Planning of Directors

The procedures for the Shareholders to propose a person for election as a Director are available and accessible on the Company's website at https://www.pokfulam.com.hk.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association (the "Articles of Association"). The Nomination Committee aims to review the structure, size and composition of the Board by considering the benefits of all aspects of diversity in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board, identify suitable candidates to the Board, and make recommendations on any matters in relation to the appointment or re-appointment of members of the Board by considering candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with a balance of gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service, independence and the diversity to oversee the Group's business development, strategies, operations, challenges and opportunities. The Nomination Committee considers candidates on merit, against objective criteria and with due regard to the nomination policy adopted by the Company (the "Nomination Policy") and the Board Diversity Policy and assess the independence of the proposed INEDs as appropriate before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

Where a vacancy on the Board exists as a result of filling a causal vacancy or appointing an additional Director, the Board will carry out the selection process, with the advice provided by the Nomination Committee, by making reference to the selection criteria stated in the Nomination Policy, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Pursuant to article 128 of the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in case of filling of a casual vacancy) or the next following annual general meeting of the Company (the "AGM") (in case of appointment of an additional Director), and shall then be eligible for re-election.

In accordance with article 123 of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third), including those appointed for a specific term or holding office as Chairman or Managing Director, shall retire from office by rotation at least once every three years. Accordingly, Mr. Samuel Wong and Mr. Li shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM. Pursuant to Code Provision A.4.3 of the Code, the re-election of Mr. Li will be subject to a separate resolution to be approved by the Shareholders at the forthcoming AGM as he has served on the Board for more than 9 years.

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

Each of Mr. Li and Mr. Sit has served the Company as an INED for more than nine years and does not have any executive or management role in the Company nor has he been under the employment of any member of the Group. The Board considers that they have made considerable contributions to the Company with their relevant experience and knowledge throughout their years of service and they have maintained an independent view in relation to the Company's affairs.

The Board has taken the recommendation of the Nomination Committee and proposed the re-appointment of the above retiring Directors standing for re-election as Director the forthcoming AGM.

The Company's circular dated 15 December 2021 contains detailed information of the retiring Directors standing for re-election.

Induction and Continuous Professional Development

The Company Secretary updates all Directors on the latest developments of and changes to the Listing Rules and the applicable legal and regulatory requirements as well as the business environment regarding subjects necessary for the discharge of their duties. All Directors are encouraged to participate in continuous professional development (the "CPD") to develop and refresh their knowledge and skills.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year so that the Company can maintain records for the Director's training. According to the training records maintained by the Company, the trainings received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
EDs	
Mr. Abraham Wong	A and B
Mr. David Wong	A and B
Mr. Samuel Wong	A and B
INEDs	
Mdm. Lam (retired on 1 December 2020)	B
Mr. Li	A and B
Mr. Sit	A and B
Mr. Seto	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, real estate, corporate governance and director's duties and responsibilities

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

Insurance Cover for Directors

During the Year, the Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the Code.

CHAIRMAN AND MANAGING DIRECTOR

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Although Mr. Abraham Wong holds both the positions of the Chairman and the Managing Director, the Board considers that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current Board composition, where half of the Board members are INEDs, and corporate governance structure of the Group ensure effective oversight of management.

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

BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website at https://www.pokfulam.com.hk and the Stock Exchange's website at http://www.hkexnews.hk and are available to the Shareholders upon request. Board committees report to the Board on their work, findings, recommendations and decisions pursuant to their terms of reference.

Board committees are provided with sufficient resources to discharge their duties and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

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

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Sit (chairman), Mr. Abraham Wong and Mr. Li. The majority of the members of the Remuneration Committee are INEDs.

The main duties and responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of the EDs, INEDs and the Senior Management for the Board's approval, make recommendations to the Board to improve the transparency of the Company's overall remuneration policy and review and recommend the compensation arrangements relating to any loss or termination of office of the Directors and the Senior Management.

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for all Directors and the Senior Management, which policy and structure shall ensure, amongst other matters, that no Director or any of his associates (as defined in the Listing Rules) will participate in deciding his own remuneration.

- To review and recommend remuneration proposals of the Company's management (the "Management") by reference to the Board's corporate goals and objectives.

- To review and recommend to the Board the remuneration packages of all Directors and the Senior Management by reference to the salaries paid by comparable companies, their time commitment and responsibilities as well as the employment terms and conditions offered by other member companies within the Group.

- To review and recommend the compensation arrangements for all Directors and the Senior Management.

The Remuneration Committee met once during the Year and reviewed the remuneration policy and structure of the Company and the remuneration packages of all Directors and the Senior Management for the Year.

Audit Committee

The Audit Committee comprises three members, namely Mr. Li (chairman), Mr. Sit and Mr. Seto. All the members of the Audit Committee are INEDs including at least one member who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Management or the external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the external auditors, as well as their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
- To develop and implement a policy on engaging an external auditor to supply non-audit services.
- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group (the "Employees' Arrangements"), and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held two meetings during the Year to review the annual and interim financial results for the year ended 30 September 2020 and the six months ended 31 March 2021, respectively (the "Annual and Interim Results") and their accompanying reports, financial reporting and compliance procedures, financial control system, internal control system, risk management system, the adequacy of resources, accounting staff's qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, the re-appointment of the external auditor and the Employees' Arrangements.

The Audit Committee met the external auditor once during the Year in the absence of the Management, to discuss matters relating to any issues arising from the audit and any other matters that the external auditor may wish to raise.

The Audit Committee regularly reviews the internal control system and the risk management system of the Company and reports to the Board on any variance or risks identified by the Management and makes recommendations to the Board in respect of any actions, as appropriate.

The Audit Committee regularly reviews the relationship with the external auditors and recommends to the Board on the appointment, re-appointment and removal of external auditors.

On 10 December 2021, the Company's annual results for the Year have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee has been established by the Board with written terms of reference in compliance with the Code.

The primary functions of the Nomination Committee include the following:

- To determine the Nomination Policy.
- To review the structure, size and composition (including the gender, age, cultural and educational background, racial, professional experience, skills, knowledge, length of service and other qualities of the members of the Board) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and the requirement of Board diversity.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of the INEDs.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the Managing Director.
- To review the Board Diversity Policy, as appropriate, and the measurable objectives that the Board has set for implementing such Policy, and the progress of achieving the objectives and make recommendations to the Board on any proposed change to the same and to exercise such other powers and authorities, and to perform such other duties, as set out in the Board Diversity Policy or delegated by the Board from time to time.

The Nomination Committee comprises one ED Mr. Abraham Wong (chairman), and two INEDs, namely Mr. Li and Mr. Sit. The majority of the members of the Nomination Committee are INEDs.

The Nomination Committee met once during the Year and reviewed the diversity, structure, size and composition of the Board and the independence of the INEDs, considered the qualifications, experience and performance of the retiring Directors and recommended to the Board their re-election at the AGM for 2019/2020 (the "2019/2020 AGM").

Number of Meetings and Directors' Attendance

Code Provision A.1.1 of the Code stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Board held four regular meetings. During these meetings, the Directors discussed and approved overall strategies and policies of the Group, reviewed and monitored the financial and operational performance, and approved the Annual and Interim Results of the Group.

During the Year, the attendance records of the Directors at the respective meetings of the Board, the Remuneration Committee, the Audit Committee, the Nomination Committee and the 2019/2020 AGM are set out below:

	Attendance/Number of Meetings Entitled to Attend				
Name of Directors	Regular Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Nomination Committee Meeting	2019/2020 AGM
EDs					
Mr. Abraham Wong *(Chairman, Managing Director, chairman of the Nomination Committee and member of the Remuneration Committee)*	4/4	1/1	N/A	1/1	1/1
Mr. David Wong	4/4	N/A	N/A	N/A	1/1
Mr. Samuel Wong	4/4	N/A	N/A	N/A	1/1
INEDs					
Mdm. Lam *(retired on 1 December 2020)*	N/A	N/A	N/A	N/A	N/A
Mr. Li *(chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee)*	4/4	1/1	2/2	1/1	1/1
Mr. Sit *(chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)*	4/4	1/1	2/2	1/1	1/1
Mr. Seto *(a member of the Audit Committee)*	4/4	N/A	2/2	N/A	1/1

Apart from the above-mentioned Board meetings, the Chairman held a meeting with all the INEDs without the presence of other EDs during the Year for, amongst other matters, discussing the Directors' time commitments and contribution in performing their responsibilities to the Company and the Group's strategy.

Practices and Conduct of Meetings

The schedules for annual regular Board meetings and draft agenda of each meeting are normally made available to the Directors in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution at each meeting.

Notices of regular Board meetings are served on all Directors at least 14 days before the meetings. For other Board meetings and the Board committee meetings, reasonable notice is generally given.

Board papers are sent to all Directors to keep the Directors apprised of the latest developments and financial position of the Company and enable them to make informed decisions in accordance with the Code Provisions as stipulated in the Code. The Board and each Director also have separate and independent access to the Senior Management whenever necessary.

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

The Senior Management members are invited to attend Board and Board committees, meetings to report on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and Board committees, meetings. Minutes of meetings of the Board and the Board committees record in reasonable detail the matters considered and the decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft minutes are normally circulated for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for Directors' securities transactions.

In response to a specific enquiry made by the Company on each of the Directors, all the Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout the Year and the period thereafter up to the date of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year with the assistance of the finance department of the Group.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable financial reporting standards are complied with.

The Board has received from the Management explanations and relevant information which enable the Board to make an informed assessment for approving the financial statements.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group for the Year (the "Consolidated Financial Statements") is set out in the "Independent Auditor's Report" on pages 64 to 68 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	1
1,000,001 to 2,000,000	1

INDEPENDENT AUDITOR'S REMUNERATION

Particulars of the remuneration paid/payable to BDO Limited, the Company's external auditor, in respect of the Year are set out below:

Category of Services	Fee paid/payable
	HK$'000
Audit services	710
Non-audit services (including interim review, taxation and other services)	162
	872

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Management has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for (i) safeguarding assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board, through the Audit Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. The Company has engaged an independent internal audit consultant (the "IA Consultant") to conduct a year-end review of the effectiveness of the Group's risk management and internal control systems annually and the systems are considered to be effective and adequate. The IA Consultant has also performed the internal audit function to carry out an analysis and independent appraisal of the adequacy and effectiveness of the systems, and the Company has procedures in place to keep information confidential and manage actual or potential conflict of interests. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflict of interests.

INSIDE INFORMATION POLICY AND PROCEDURES

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably possible when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs and the Company Secretary are authorised to communicate with parties outside the Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through AGMs and other general meetings. The Chairman, all other EDs, INEDs, and the chairmen of all Board committees (or their delegates) will continue to make themselves available at the AGMs to meet the Shareholders and answer their enquiries. Likewise, the Chairman and other Directors will do so at other general meetings of the Company.

The Shareholders' communication policy of the Company sets out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The 2019/2020 AGM was held on 27 January 2021. The notice of 2019/2020 AGM was sent to the Shareholders at least 20 clear business days (as defined in the Listing Rules) before the 2019/2020 AGM.

The Chairman as well as the chairman of each of the Remuneration Committee, the Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees, and the Company's independent auditor attended the 2019/2020 AGM to answer the Shareholders' questions.

At the general meetings, each substantially separate issue has been/will be considered by a separate resolution, including the election of individual director, and the poll procedures have been/will be clearly explained.

To promote effective communication, the Company maintains its website at https://www.pokfulam.com.hk, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Company continues to enhance communication and relationships with its investors. The Senior Management has undertaken the role of establishing an effective communication system. They are responsible for responding to the enquiries from the Shareholders/investing public or the media from time to time.

SHAREHOLDERS' RIGHTS

1. Convening of a general meeting on requisition by Shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings are entitled to send a request to the Company to convene a general meeting.

Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it.

2. Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the registered office of the Company and the Company Secretary shall then forward the same to the appropriate executives of the Company or members of the Board for further handling.

3. Procedures for putting forward proposals at AGM by Shareholders

Pursuant to Section 615 of the CO, Shareholders representing at least 2.5% of the total voting rights of all the Shareholders or at least 50 Shareholders who have a right to vote on the resolution at the AGM to which the request relates can request the Company to give notice of a resolution that may properly be moved and is intended to be moved at an AGM. A request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given. It must be authenticated by the person or persons making it and be received by the Company not later than 6 weeks before the AGM to which the request relates; or if later, the time at which notice is given of that meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the Code, including the following:

- To develop, review and update the Company's policies and practices on corporate governance.
- To review and monitor the training and CPD of the Directors and the Senior Management.
- To review and monitor the Company's policies and practices in compliance with legal and regulatory requirements.
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors.
- To review the Company's compliance with the Code and disclosure in the corporate governance report for inclusion in its annual report.
- To perform such other corporate governance duties and functions set out in the Code for which the Board is responsible.

The Board has reviewed the Company's corporate governance policies and practices, training and CPD of the Directors and the Senior Management, policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code, the Employees Written Guidelines and the Code as well as disclosure in this corporate governance report.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures as well as all applicable laws, rules and regulations are followed.

During the Year, Mr. Hui Sui Yuen, the Company Secretary, has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community well-being from time to time and encourages its employees to participate in charitable events.

DIVIDEND POLICY

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The directors of Pokfulam Development Company Limited (the "Company" and the "Directors", respectively) present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 September 2021 (the "Year" and the "Consolidated Financial Statements", respectively).

PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding. The principal activities of the Company's subsidiaries and joint venture entity are set out in notes 27 and 16 to the Consolidated Financial Statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

An interim dividend of HK4 cents per share amounting to HK$4,407,000 was paid to the shareholders of the Company (the "Shareholders") during the Year. The Directors now recommend the payment of a final dividend of HK34 cents per share, amounting to HK$37,461,000 (the "Proposed Final Dividend"), to the Shareholders whose names will appear on the register of members of the Company (the "Register of Members") on Friday, 28 January 2022.

BUSINESS REVIEW

The Group is principally engaged in the businesses of property investment, focusing in Hong Kong. The strategy of the Group is twofold: to generate recurring rental income sufficient to cover its operating overheads, including administration expenses, finance costs and dividends, and to achieve capital appreciation. Please refer to the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report for business review of the Group in detail.

One of the principal risks faced by the Group lies in the adverse changes in the market value of its investment properties. The Group consistently maintains the asset-backed borrowings at reasonable loan- to-value ratios to weather any hard time during an economic downturn. For details of management of capital and financial risk of the Group, please refer to notes 33 and 34 to the Consolidated Financial Statements, respectively.

In the years ahead, the Group is prepared to further enhance its investment property portfolios for generating recurring rental income through acquisition of completed properties should appropriate opportunities arise.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders, and compliance with the relevant laws and regulations that have a significant impact on the Group are provided in the Chairman's Statement, the Environmental, Social and Governance Report, the Corporate Governance Report and the Directors' Report of this annual report.

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, Cap. 486 of the Laws of Hong Kong, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, Cap. 57 of the Laws of Hong Kong, the Minimum Wage Ordinance, Cap. 608 of the Laws of Hong Kong and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the above Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees, tenants and owners of properties under its management.

The Group complies with applicable rules and regulations promulgated by Lands Department, Buildings Department and the Planning Department governing property development and property investment in Hong Kong and holds relevant required licences for the provision of services.

The Group establishes and protects its intellectual property rights and has registered its domain name. The Group takes all appropriate actions to enforce its intellectual property rights.

It is the policy of the Group to strictly prohibit bribery and corrupt practices to ensure that the conduct of the Group and its directors and employees are in compliance with laws, rules and regulations. All of them are required to adhere strictly to the provisions of the Prevention of Bribery Ordinance, Cap. 201 of the Laws of Hong Kong and may not solicit or accept from or offer to any business partners for his/her personal benefit any advantage which includes benefits in money or in any kind. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant directors and employees and relevant operation units from time to time.

On the corporate level, the Group complies with the requirements under the Companies Ordinance, Cap. 622 of the Laws of Hong Kong (the "CO"), the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for Directors' securities transactions.

ENVIRONMENTAL PROTECTION

The Group is committed to building an environmental-friendly corporation with the aim of conserving natural resources. The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Directors consider that environmental protection is essential to the long-term development of the Group and will constantly improve management practices so as to minimise waste, maximise efficiencies and reduce the Group's negative environmental impact on the environment.

For details, please refer to the Environmental, Social and Government Report of this annual report.

KEY RISK FACTORS

The following lists out the key risks and uncertainties faced by the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policies, relevant regulations and guidelines established by the legal and regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations, laws and property development and investment markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in certain parts of its business to improve the performance and efficiency of the Group. While gaining the benefits from external service providers, management of the Group (the "Management") realises that such operational dependency may pose a threat of vulnerability to unexpected poor or cessation of service, including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

Risks Pertaining to the Property Market in Hong Kong

A substantial portion of the Group's investment property portfolio is located in Hong Kong, earning rental and management income. Therefore, the Group is susceptible to changes in economic conditions, consumer consumption and the tourist market in Hong Kong. Besides, the local government may introduce further regulatory measures on the property market, thus adversely affecting the local business environment.

As at the date of this report, Hong Kong's general economy is struggling with a global pandemic which seriously affects economic activity or the ability of businesses to operate smoothly. The impact on tourism and the general market environment brings about uncertainties on the financial performance of our properties. We shall continue to closely monitor the situation and make feasible strategies and business decisions depending on situation.

Interest Rate Risks

The Group's bank borrowings mainly bear floating rates. The Group's finance and treasury operation is affected by the change in interest rates and market condition. To reduce our exposure due to volatility in interest rates, the Group has closely monitored the interest rate movements and refinanced existing banking facilities when favourable pricing opportunities arise.

Key Relationships with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents were found in the Year.

The Group encompasses working relationships with suppliers to meet its customers' needs in an effective and efficient manner. The departments work closely to make sure that the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well- communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis of customers' feedbacks. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

OPERATING SEGMENTS INFORMATION

The Group's revenue and contribution to profit for the Year from operations analysed by principal activities are set out in note 5 to the Consolidated Financial Statements.

SUBSIDIARIES AND JOINT VENTURE

Particulars of the Company's principal subsidiaries and joint venture entity as at 30 September 2021 are set out in notes 27 and 16 to the Consolidated Financial Statements, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Liquidity and financial resources

Shareholders' funds as at 30 September 2021 were HK$5,523.9 million (2020: HK$5,425.1 million).

As at 30 September 2021, the Group's total bank balances and cash amounted to HK$68.4 million (2020: total bank balances and cash, and pledged bank deposits amounted to HK$158.2 million), of which over 69% (2020: 56%) was denominated in Hong Kong dollars ("HK$"), 5% (2020: 24%) was denominated in United States dollars ("US$") and 26% (2020: 20%) was denominated in Renminbi. As at 30 September 2021, the Group's securities investments of HK$98.9 million (2020: HK$55.6 million) was denominated in US$. The foreign exchange exposure of the Group was not significant given that its large asset base and operational cash flow were denominated primarily in HK$ and HK$ is pegged to US$.

As at 30 September 2021, the Group's total borrowings, which were denominated in HK$, were HK$65.0 million (2020: HK$55.0 million).

The maturity profile of the Group's total borrowing as at 30 September 2021, which is based on the scheduled repayment dates set out in the loan agreements, is set out as follows:

	2021	2020
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**65.0**	55.0
After one year but within two years	**–**	–
After two years but within five years	**–**	–
After five years	**–**	–
	65.0	55.0

The Group's bank loan of HK$25.0 million is 1-month revolving loans and is classified under current liabilities.

The Group's bank term loan of HK$40.0 million (that is repayable within one year after 30 September 2021 and the relevant loan agreement contains a repayment on demand clause) is classified under current liabilities. The bank borrowings carry interest at Hong Kong InterBank Offer Rate (HIBOR)/the bank's Cost of Fund (as defined in the relevant loan agreement) plus a margin.

As at 30 September 2021, the Group had unutilised banking facilities of HK$1,078.0 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

Financial Investments

Financial investments mainly represent return earned on the Group's holdings of time deposits, as well as equity and bond investments. Further information about the performances of financial investments can be found in notes 5 and 6 to the Consolidated Financial Statements.

Gearing and Charge on Assets

As at 30 September 2021, the debt to equity ratio, based on the Group's total borrowings of HK$65.0 million and the consolidated equity attributable to owners of the Company of HK$5,523.9 million, was 1.2%, as compared with 1.0% as at 30 September 2020.

As at 30 September 2021, (i) investment properties of the Group with a carrying amount of approximately HK$4,863.0 million (2020: approximately HK$4,810.0 million); and (ii) ownership interests in leasehold land held for own use and building of the Group with a carrying amount of approximately HK$2.1 million (2020: approximately HK$2.2 million) were pledged to banks to secure the general banking facilities granted to the Group. As at 30 September 2020, the Group's time deposit of HK$34.9 million were pledged for banking facilities as well.

Treasury Policies

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

Commitments

Particulars of the commitments of the Group are set out in note 29 to the Consolidated Financial Statements.

Employees and Remuneration Policies

As at 30 September 2021, the Group had 117 (2020: 115) employees. The staff remuneration including Directors' emoluments and other employee expenses for the Year amounted to approximately HK$28.0 million (2020: HK$26.5 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for the employees.

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

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 140 of this annual report and in note 27 to the Consolidated Financial Statements, respectively.

As at 30 September 2021, the Company's reserves available for distribution to the Shareholders represented the retained profits of HK$883.4 million (2020: HK$886.1 million).

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 23 to the Consolidated Financial Statements.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group as at 30 September 2021 are set out on pages 163 and 164 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 13 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the Consolidated Financial Statements.

GROUP BORROWING AND INTEREST CAPITALISED

Details of repayable on demand and short-term secured bank loans are shown in note 24 to the Consolidated Financial Statements.

There was no interest capitalised during the Year by the Group (2020: Nil).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years, as extracted from the published audited financial statements, is set out on page 162 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers of the Group accounted for approximately 22% of the Group's turnover and sales to the largest customer included therein accounted for approximately 10%. The five largest suppliers of the Group accounted for approximately 58% of the Group's total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 33%.

At no time during the Year did a Director, a close associate of a Director or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors (the "EDs")

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

Independent Non-executive Directors (the "INEDs")

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

In accordance with article 123 of the Articles of Association, Mr. Samuel Wong and Mr. Li will retire by rotation from the office at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

The Company has received from each of the INEDs an annual written confirmation of independence in accordance with Rule 3.13 of the Listing Rules. Notwithstanding that Mr. Li and Mr. Sit have served as INEDs for more than nine years, both INEDs meet the independence guidelines set out in such Rule 3.13 and have never been involved in the daily management of the Company nor are they in any relationships or circumstance which would interfere with the exercise of their independent judgment. The nomination committee of the Board has assessed and is satisfied with the independence of Mr. Li, Mr. Sit and Mr. Seto. Hence, the Board is of the opinion that all the INEDs remain independent within the definition of the Listing Rules by reference to the factors stated therein.

The proposed re-election of Mr. Li as an INED was made in accordance with the nomination policy of the Company and took into account a wide range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services, with due regard of the benefits of diversity as set out under the board diversity policy of the Company.

In addition, the Board had evaluated the performance of Mr. Li and is of the view that Mr. Li has provided valuable contributions to the Company and has demonstrated his abilities to provide independent, balanced and objective view to the Company's affairs. The Board is also of the view that Mr. Li would bring to the Board his own perspective, skills and experience, as further described in his biography as set out on page 10 of this annual report, and can contribute to the diversity of the Board taking into account his educational background and professional experience. The Board believes that his re-election as INED of the Company would be in the best interests of the Company and the Shareholders as a whole.

The biographical details of the Directors and the Senior Management are set out on pages 10 and 11 of this annual report.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of the subsidiaries of the Company during the Year and up to the date of this report are as follows:

- Mr. Abraham Wong
- Mr. David Wong
- Mr. Samuel Wong
- Mr. Wong Chin Yee
- Ms. Wong Chin Yan
- Mr. Wong Chin Shiong
- Mr. Hui Sui Yuen
- Ms. Sung Kwan Yuk, Katherine
- Mr. Yu Tsz Hang
- Mr. Cheung Man Chung

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required for disclosure by section 470 of the CO when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the CO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange, were as follows:

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

	Number of ordinary shares held				
Name of Directors/ Chief executive	Personal interests	Family interests	Other interests	Total	Approximate percentage of the Company's issued Shares*
		(note 1)	*(note 2)*		
Mr. Abraham Wong	450,800	–	80,633,866	81,084,666	73.6%
Mr. David Wong	–	–	80,633,866	80,633,866	73.2%
Mr. Samuel Wong	556,000	28,800	80,633,866	81,218,666	73.7%

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

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

Notes:

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

(2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Mr. Abraham Wong, Mr. David Wong and Mr. Samuel Wong are beneficiaries and the number of Shares in each of the above companies are duplicated for each of these three EDs.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 110,179,385 as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

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

As at 30 September 2021, other than the interests which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors or the chief executive of the Company, the Company had not been notified by any person or entity, not being a Director or the chief executive of the Company, of interests and short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 35 to the Consolidated Financial Statements.

CONNECTED TRANSACTION

There were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the Year and up to the date of this report. None of the "Related Party Transactions" as disclosed in note 35 to the Consolidated Financial Statements constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules and the Company had complied with the relevant requirements of Chapters 14 and 14A of the Listing Rules during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed in the "Related Party Transactions" as disclosed in note 35 to the Consolidated Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

SERVICE AND MANAGEMENT CONTRACTS

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

No contracts of significance concerning management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the Year or subsisted at the end of the Year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, Mr. Li and Mr. Seto had been an independent non-executive director of Kowloon Development Company Limited ("KDCL") (a company whose issued shares are listed and traded on the Stock Exchange). KDCL and its subsidiaries were engaged in property investment and property development businesses. As such, Mr. Li and Mr. Seto were regarded as being interested in such businesses, which competed or were likely to compete with the Group. However, such businesses were managed by a separate publicly listed company with independent management and its board composition is different and separate from the Company.

SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in accordance with the Mandatory Provident Fund Schemes Ordinance, Cap. 485 of the Laws of Hong Kong (the "MPF Ordinance"). The assets of the MPF Scheme are held separately from those of the Group, and in funds under the control of the trustees.

The Group's contributions to the MPF Scheme were calculated at 5% of the employee's monthly relevant income. Any contributions which exceed the contributions required under the MPF Ordinance are paid to the MPF Scheme as voluntary contribution.

Contributions to the MPF Scheme for the Year made by the Group amounted to HK$909,000 (2020: HK$845,000).

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

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, there was no change of information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's last interim report up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may results in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

CORPORATE GOVERNANCE

The Company's key corporate governance practices are set out in the Corporate Governance Report on pages 33 to 49 of this annual report.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board (the "Audit Committee") comprises all the three INEDs. The Audit Committee has reviewed with the Management the Group's audited Consolidated Financial Statements and this annual report, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, risk management, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

EMOLUMENT POLICY/TRAINING

The Company has established a remuneration committee of the Board (the "Remuneration Committee") with written terms of reference pursuant to the code provisions set out in the Code of Corporate Governance contained in Appendix 14 to the Listing Rules. The Remuneration Committee is principally responsible for formulating and making recommendations to the Board on all remuneration of the Directors and senior Management on the Group's emolument policy.

The emoluments of employees of the Group are determined on the basis of their performance, experience and prevailing industry practices.

The Company determines the emoluments of the Directors on the basis of their time commitment and duties, the market competitiveness, the employment conditions elsewhere in the Group as well as the Company's corporate goals and objectives.

Details of the emoluments of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 11 and 12 to the Consolidated Financial Statements, respectively.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) throughout the Year and up to the date of this report as required under the Listing Rules.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holding of the Shares. If the shareholders are unsure about the taxation implications of purchasing , holding, disposing of, dealing in, or exercising any rights in relation to, the Shares, they are advised to consult their professional advisors.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Monday, 17 January 2022. For determining the Shareholders' entitlement to attend and vote at the forthcoming AGM, the Register of Members will be closed from Wednesday, 12 January 2022 to Monday, 17 January 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, non-registered Shareholders must lodge all completed transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 11 January 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The Proposed Final Dividend is subject to the approval by the Shareholders at the forthcoming AGM. For determining the Shareholders' entitlement to the Proposed Final Dividend, the Register of Members will be closed from Wednesday, 26 January 2022 to Friday, 28 January 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the Proposed Final Dividend, non- registered Shareholders must lodge all completed transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 January 2022.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$35,000 (2020: HK$55,000).

INDEPENDENT AUDITOR

BDO Limited ("BDO"), which will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. The Board has taken the recommendation of the Audit Committee that a resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint BDO as the independent auditor of the Company.

By Order of the Board

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 10 December 2021

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

OPINION

We have audited the consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 161, which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(refer to notes 3 and 4(c) for the significant accounting policies and disclosure for the estimation of fair value of investment properties, and note 13 to the consolidated financial statements)

Management estimated the fair value of the Group's investment properties to be approximately HK$5,235,958,000 as at 30 September 2021, with a fair value gain of approximately HK$95,228,000 recognised in the profit or loss for the year then ended. The fair value of the investment properties was arrived at on the basis of the valuation carried out by an independent qualified professional valuer. The valuations of the Group's investment properties are dependent on valuation models used by management, certain key assumptions and estimations that require significant management judgement.

Our responses

Our procedures in relation to this key audit matter included:

- Involving an auditor's expert to assist us in evaluating the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the major investment properties;

- Evaluating the competence, capabilities and objectivity of the management's expert and the auditor's expert; and

- Evaluating the reliability of the sources of inputs used in the valuation prepared by the management's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 10 December 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	NOTES	2021 *HK$'000*	2020 *HK$'000*
Revenue	*5*	154,139	140,010
Other income and gains	*6*	18,606	27,280
Costs:			
Property and related costs			
– property investment		(24,387)	(14,430)
– property management		(6,459)	(7,839)
Trading of goods costs		(34,909)	(23,659)
Staff costs		(28,008)	(26,479)
Other expenses		(13,740)	(16,867)
		(107,503)	(89,274)
Profit before changes in fair value of financial assets at fair value through profit or loss and investment properties		65,242	78,016
Increase/(decrease) in fair value of financial assets at fair value through profit or loss		7,306	(11,585)
Increase/(decrease) in fair value of investment properties	*13*	95,228	(114,033)
		167,776	(47,602)
Finance costs on bank borrowings		(1,097)	(1,850)
Share of losses of joint ventures		(19,036)	(393)
Profit/(loss) before income tax	*7*	147,643	(49,845)
Income tax expense	*8*	(10,571)	(9,754)
Profit/(loss) for the year		137,072	(59,599)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value on equity instruments designated at fair value through other comprehensive income, net of tax		(2,000)	(8,200)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value on debt instruments at fair value through other comprehensive income, net of tax		(590)	215
Release on disposal of debt instruments at fair value through other comprehensive income		(12)	–
Exchange gain arising on translation of financial statements of foreign operations		3,016	4,999
Exchange gain arising from long term advances to a joint venture		3,192	1,219
Other comprehensive income for the year, net of tax		3,606	(1,767)
Total comprehensive income for the year		140,678	(61,366)
Profit/(loss) for the year attributable to:			
Owners of the Company		137,121	(59,535)
Non-controlling interests		(49)	(64)
		137,072	(59,599)
Total comprehensive income for the year attributable to:			
Owners of the Company		140,727	(61,302)
Non-controlling interests		(49)	(64)
		140,678	(61,366)
		HK$	*HK$*
Earnings/(loss) per share	*10*	1.24	(0.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current Assets			
Investment properties	13	5,235,958	5,118,941
Property, plant and equipment	14	8,908	5,335
Intangible assets	15	1,718	–
Interests in joint ventures	16	27,523	31,984
Amount due from a joint venture	16	148,878	115,831
Deposits and prepayments		2,257	3,176
Debt instruments at fair value through other comprehensive income	17	8,180	36,076
Financial assets at fair value through profit or loss	19	100,803	53,712
Equity instrument designated at fair value through other comprehensive income	17	16,000	18,000
		5,550,225	5,383,055
Current Assets			
Inventories	18	15,866	16,582
Financial assets at fair value through profit or loss	19	25,178	20,690
Debt instruments at fair value through other comprehensive income	17	27,436	1,579
Amount due from a joint venture	16	–	1,022
Trade and other receivables	20	8,662	10,785
Deposits and prepayments		8,708	7,176
Tax recoverable		–	26
Pledged bank deposits	21	–	34,882
Bank balances and cash	21	68,383	123,289
		154,233	216,031
Current Liabilities			
Trade and other payables	22	36,136	39,954
Rental and management fee deposits		26,286	24,474
Amount due to the non-controlling interest		650	–
Provision for taxation		1,515	7,272
Bank borrowings, secured	24	65,000	55,000
		129,587	126,700
Net Current Assets		24,646	89,331
Total Assets less Current Liabilities		5,574,871	5,472,386
Capital and Reserves			
Share capital	23	146,134	146,134
Reserves		5,377,798	5,278,939
Equity attributable to owners of the Company		5,523,932	5,425,073
Non-controlling interests		(992)	28
Total Equity		5,522,940	5,425,101
Non-current Liability			
Deferred taxation	25	51,931	47,285
		5,574,871	5,472,386

The consolidated financial statements on pages 69 to 161 were approved and authorised for issue by the Board of Directors on 10 December 2021 and are signed on its behalf by:

Wong Tat Chang, Abraham
DIRECTOR

Wong Tat Sum, Samuel
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Attributable to the owners of the Company							
	Share capital	Translation reserve*	Investment revaluation reserves* (recycling)	Investment revaluation reserves* (non-recycling)	Retained profits*	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 October 2019	146,134	1,477	1,060	18,200	5,369,364	5,536,235	6,091	5,542,326
Loss for the year	–	–	–	–	(59,535)	(59,535)	(64)	(59,599)
Other comprehensive income for the year:								
Changes in fair value on:								
– Debt instruments at fair value through other comprehensive income	–	–	215	–	–	215	–	215
– Equity instruments designated at fair value through other comprehensive income	–	–	–	(8,200)	–	(8,200)	–	(8,200)
Exchange gain arising on translation of foreign operations	–	4,999	–	–	–	4,999	–	4,999
Exchange gain arising from long term advances to a joint venture	–	1,219	–	–	–	1,219	–	1,219
Total comprehensive income for the year	–	6,218	215	(8,200)	(59,535)	(61,302)	(64)	(61,366)
Final dividend for 2019 paid *(Note 9)*	–	–	–	–	(37,461)	(37,461)	–	(37,461)
Interim dividend for 2020 paid *(Note 9)*	–	–	–	–	(4,407)	(4,407)	–	(4,407)
Transaction with non-controlling interests *(Note 35(d))*	–	–	–	–	(7,992)	(7,992)	(5,999)	(13,991)
At 30 September 2020 and 1 October 2020	146,134	7,695	1,275	10,000	5,259,969	5,425,073	28	5,425,101
Profit for the year	–	–	–	–	137,121	137,121	(49)	137,072
Other comprehensive income for the year:								
Changes in fair value on:								
– Debt instruments at fair value through other comprehensive income	–	–	(590)	–	–	(590)	–	(590)
– Equity instruments designated at fair value through other comprehensive income	–	–	–	(2,000)	–	(2,000)	–	(2,000)
- Release on disposal of debt instruments at fair value through other comprehensive income	–	–	(12)	–	–	(12)	–	(12)
Exchange gain arising on translation of foreign operations	–	3,016	–	–	–	3,016	–	3,016
Exchange gain arising from long term advances to a joint venture	–	3,192	–	–	–	3,192	–	3,192
Total comprehensive income for the year	–	6,208	(602)	(2,000)	137,121	140,727	(49)	140,678
Final dividend for 2020 paid *(Note 9)*	–	–	–	–	(37,461)	(37,461)	–	(37,461)
Interim dividend for 2021 paid *(Note 9)*	–	–	–	–	(4,407)	(4,407)	–	(4,407)
Arising from step acquisition *(Note 26)*	–	–	–	–	–	–	(971)	(971)
As at 30 September 2021	146,134	13,903	673	8,000	5,355,222	5,523,932	(992)	5,522,940

* These reserve accounts comprise the consolidated reserves of approximately HK$5,377,798,000 in the consolidated statement of financial position as at 30 September 2021 (2020: HK$5,278,939,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	NOTES	2021 HK$'000	2020 HK$'000
Operating activities			
Profit/(loss) before income tax		147,643	(49,845)
Adjustments for:			
(Increase)/decrease in fair value of investment properties	13	(95,228)	114,033
(Increase)/decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		(7,306)	11,585
Amortisation of Intangible assets	7	43	–
Loss on disposal of property, plant and equipment	7	2	6
Depreciation on owned property, plant and equipment	7	1,591	951
Depreciation on right-of-use assets	7	8	8
Impairment loss of goodwill	7	400	–
Dividend income from equity instrument designated at fair value through other comprehensive income ("FVOCI")	6	(4,151)	(10,455)
Imputed interest income on amount due from a joint venture	6	(6,433)	(6,692)
Interest income		(1,739)	(3,345)
Dividend income from financial assets at FVTPL		(4,901)	(1,653)
Gain on release of investment revaluation reserve upon disposal of debt instrument at FVOCI		(12)	–
Finance costs on bank borrowings		1,097	1,850
Share of losses of joint ventures		19,036	393
Operating cash flows before working capital changes		50,050	56,836
Decrease/(increase) in inventories		1,231	(4,760)
Decrease/(increase) in trade and other receivables, deposits and prepayments		2,085	(43)
(Decrease)/increase in trade and other payables		(3,705)	7,363
Cash generated from operations		49,661	59,396
Interest received		1,739	3,345
Dividend received		4,901	1,653
Income tax paid		(11,656)	(4,568)
Net cash generated from operating activities		44,645	59,826

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	NOTES	2021 HK$'000	2020 HK$'000
Investing activities			
Purchase of property, plant and equipment		(5,163)	(1,886)
Addition of investment properties		(21,789)	(19,156)
Redemption of bond instruments		1,574	–
Net cash inflows arising from step acquisition	26	92	–
Dividend received from equity instrument designated at FVOCI		4,151	10,455
Investment in a financial asset at FVTPL		(44,273)	(21,141)
(Advance to)/repayment from joint ventures		(36,276)	2,292
Decrease/(increase) in pledged bank deposits		34,882	(34,882)
Net cash used in investing activities		(66,802)	(64,318)
Financing activities			
Bank borrowings raised	28	45,000	21,004
Repayment of bank borrowings	28	(35,000)	(21,004)
Repayment to non-controlling interests	28	(312)	–
Dividends paid		(41,868)	(41,868)
Interest paid	28	(1,097)	(1,850)
Transaction with non-controlling interests		–	(15,791)
Net cash used in financing activities		(33,277)	(59,509)
Net decrease in cash and cash equivalents		(55,434)	(64,001)
Cash and cash equivalents at the beginning of the financial year		123,289	185,992
Effect of foreign exchange rate changes		528	1,298
Cash and cash equivalents at the end of the financial year		68,383	123,289
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		68,383	123,289

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 home appliances, and securities investment.

The address of the registered office and the principal place of business of the Company is 23rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

2.1 Adoption of new or revised HKFRSs

In current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 October 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Revised Conceptual Framework	Revised Conceptual Framework For Financial Reporting

2. ADOPTION OF HKFRSs (CONTINUED)

2.1 Adoption of new or revised HKFRSs (Continued)

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

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

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

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

The adoption of these revised HKFRSs do not have significant impact on the Group's financial performance and financial position.

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

2. ADOPTION OF HKFRSs (CONTINUED)

2.1 Adoption of new or revised HKFRSs (Continued)

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" (Continued)

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) the reduction is lease payments affects only payments originally due on or before 30 June 2021; and

c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The adoption of this new or revised HKFRS does not have significant impact on the Group's financial performance and financial position.

2. ADOPTION OF HKFRSs (CONTINUED)

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

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts[7]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018-2020 Cycle[3]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisitions is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined
7 The amendments were originally intended to be effective for periods beginning on or after 1 January 2021. The effective date has now been extended to 1 January 2023.

2. ADOPTION OF HKFRSs (CONTINUED)

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

HKFRS 17 – Insurance Contracts

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

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

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 – COVID-19 Related Rent Concessions

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

2. ADOPTION OF HKFRSs (CONTINUED)

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

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

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

They:

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

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

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

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

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

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

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

2. ADOPTION OF HKFRSs (CONTINUED)

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

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

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

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

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

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

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS *2 Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Business combination and basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

Investments in joint ventures (Continued)

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

The Group assesses whether there is an objective evidence that the investment in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of fair value of consideration transferred, the amount recognised for non-controlling interests and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(h)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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

Investment properties

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

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

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

Property, plant and equipment

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

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

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

Leasehold Land	Over the term of the lease
Buildings	Over the shorter of the term of the lease of the land, or 50 years
Leasehold improvement	Over the shorter of the term of the lease of the land, or 50 years
Furniture, fixtures and equipment	12%-20%
Motor vehicles	15%-25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Impairment of assets (other than financial assets)

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may be decreased:

- Property, plant and equipment;
- Intangible assets;
- Goodwill; and
- Interests in joint ventures.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately.

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Inventories

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes.

Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amount on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amount at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodies in the property overtime, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Financial Instruments

(i) Financial assets

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

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

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

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

Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

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

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

Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

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

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

Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

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

Financial Instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

Revenue recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

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

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

Revenue recognition (Continued)

(i) Sales of visual and sound equipment, and home appliances

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

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

(ii) Rental income

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

(iii) Building management fees income

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

(iv) Dividend income

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

(v) Interest income

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

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

Revenue recognition (Continued)

(vi) Contract liabilities

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

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

(vii) Contract costs

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

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

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

(c) the costs are expected to be recovered.

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

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

Leasing

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Accounting as a lessee

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

Right-of-use assets

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

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

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

Leasing (Continued)

Lease liability

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

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	5 years

Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

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

Government grants

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

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

Retirement benefit scheme

Payments to defined contribution retirement benefit plans (i.e. the Mandatory Provident Fund Scheme) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

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

Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following is the critical judgement, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of the assets and liabilities within next financial period are as follows:

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties situated in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in the People's Republic of China ("PRC") are held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties situated in the PRC but is not rebutted for properties situated in Hong Kong. As a result, the Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties. The presumption that the carrying amount of the Group's investment properties in the PRC is to recover through sale rather than through use has been rebutted and deferred tax on the changes in fair value is recognised according to the relevant tax rules.

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

(b) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at and/or disclosure of fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (Note 13);
- Financial assets at fair value through other comprehensive income (Note 17); and
- Financial assets at fair value through profit or loss (Note 19).

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

(c) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 September 2021 at their fair value, details of which are disclosed in note 13. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent qualified external valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and other comprehensive income and the carrying amount of these properties included in the consolidated statement of financial position. The carrying amount of investment properties at 30 September 2021 is approximately HK$5,235,958,000 (2020: HK$5,118,941,000).

(d) Impairment of trade receivables, other loans and receivables

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

At the end of each reporting periods, the historical observed default rates would be reassessed and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs and the Group's trade receivables and other loans and receivables are disclosed in note 34(b) to the consolidated financial statements.

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

(e) Depreciation and amortisation

The Group depreciates property, plant and equipment and amortises intangible assets with finite useful lives using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets. The carrying amounts of property, plant and equipment and intangible assets are disclosed in notes 14 and 15 respectively.

(f) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences, of course, will impact upon the income tax and deferred tax provision in the period in which such determination is made.

(g) Impairment of non-financial assets (other than goodwill)

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(h) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill is disclosed in note 15.

5. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of goods	47,755	33,124
Building management services	9,521	9,158
	57,276	42,282
Revenue from other sources		
– Rental income	91,962	96,075
– Dividend income	4,901	1,653
	96,863	97,728
Total revenue	154,139	140,010

The following table provides information about timing of revenue recognition:

	Property investment and management		Trading of goods		Securities investment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At a point in time	–	–	47,755	33,124	–	–	47,755	33,124
Over time	9,521	9,158	–	–	–	–	9,521	9,158
	9,521	9,158	47,755	33,124	–	–	57,276	42,282
Revenue from other sources	91,962	96,075	–	–	4,901	1,653	96,863	97,728
	101,483	105,233	47,755	33,124	4,901	1,653	154,139	140,010

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

Year ended 30 September 2021

	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	101,483	47,755	4,901	154,139	–	154,139
Inter-segment	3,593	1,669	–	5,262	(5,262)	–
	105,076	49,424	4,901	159,401	(5,262)	154,139
Segment profit *(Notes i and ii)*	157,526	2,886	11,557	171,969	–	171,969
Unallocated other income and gains						18,606
Corporate expenses						(22,799)
Finance costs on bank borrowings						(1,097)
Share of losses of joint ventures						(19,036)
Profit before income tax						147,643

Notes: i. Segment profit of property investment and management business included an increase in fair value of investment properties of approximately HK$95,228,000.

ii. Segment profit of securities investment business included an increase in fair value of financial assets at FVTPL of approximately HK$7,306,000.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 30 September 2020

	Property investment and management	Trading of goods	Securities investment	Segment total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External	105,233	33,124	1,653	140,010	–	140,010
Inter-segment	1,967	969	–	2,936	(2,936)	–
	107,200	34,093	1,653	142,946	(2,936)	140,010
Segment (loss)/profit *(Notes i and ii)*	(50,642)	2,386	(10,645)	(58,901)	–	(58,901)
Unallocated other income and gains						27,280
Corporate expenses						(15,981)
Finance costs on bank borrowings						(1,850)
Share of losses of joint ventures						(393)
Loss before income tax						(49,845)

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

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

Inter-segment revenue is charged at mutually agreed terms.

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Other segment information

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

Year ended 30 September 2021

	Property investment and management	Trading of goods	Securities investment
	HK$'000	*HK$'000*	*HK$'000*
Reversal of provision for impairment on trade and other receivables	(1,707)	(33)	–
Depreciation on property, plant and equipment	581	193	–
Loss on disposal of property, plant and equipment	–	2	–

Year ended 30 September 2020

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Substantially all of the Group's non-current assets (based on the location of assets) and revenue attributable to customers (based on the location of goods delivered and services provided) are located in Hong Kong in both years. In regards to the investment properties located in the PRC, details are disclosed in note 13.

Information about major customers

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenues. Revenue derived from this customer is as follows:

	Revenue from external customer	
	2021	2020
	HK$'000	*HK$'000*
Customer A#	**15,808**	n/a

Attributable to segment of trading of goods

n/a Transactions did not exceed 10% of the Group's revenue

6 OTHER INCOME AND GAINS

	2021	2020
	HK$'000	*HK$'000*
Dividend income from equity instrument designated at FVOCI	**4,151**	10,455
Imputed interest income on amount due from a joint venture	**6,433**	6,692
Interest income		
– Bank deposits	**251**	1,782
– Loan to a joint venture	**–**	55
– Debt instruments at FVOCI	**1,488**	1,508
Exchange gain	**3,253**	3,601
Gain on release of investment revaluation reserve upon disposal of debt instrument at FVOCI	**12**	–
Sundry income *(Note)*	**3,018**	3,187
	18,606	27,280

Note: Sundry income include the unconditional and one-off government subsidies from the Anti-epidemic Fund launched by Hong Kong Special Administrative Region Government. There are no unfulfilled conditions as at 30 September 2021 and 2020.

7. PROFIT/(LOSS) BEFORE INCOME TAX

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	710	670
Loss on disposal of property, plant and equipment	2	6
Provision for repair and maintenance	–	4,415
Amortisation of intangible assets	43	–
Depreciation on property, plant and equipment		
– owned property, plant and equipment	1,591	951
– right-of-use-assets including within leasehold land in Hong Kong under long lease	8	8
Provision for impairment on amount due from a joint venture	6,958	1,112
Reversal of impairment on loan to a joint venture	–	(840)
Impairment loss of goodwill	400	–
Provision/(reversal) of inventories written down	173	(1,638)
(Reversal of)/provision for impairment on trade and other receivables	(1,740)	4,540
Provision for impairment on deposits	–	38
Gross rental income from investment properties	(91,962)	(96,075)
Less: Direct operating expenses arising from investment properties that generated rental income	24,387	14,430
	(67,575)	(81,645)

8. INCOME TAX EXPENSE

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

	2021	2020
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	5,471	5,042
– PRC Enterprise Income Tax	132	129
Under/(over) provision in prior years	322	(291)
	5,925	4,880
Deferred tax *(Note 25)*	4,646	4,874
	10,571	9,754

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 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% (2020: 25%) for the years ended 30 September 2021 and 2020.

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

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) before income tax	147,643	(49,845)
Tax calculated at the rates applicable to profits or losses in the tax jurisdiction concerned	24,361	(8,224)
Tax effect of non-deductible expenses	2,208	21,204
Tax effect of non-taxable income	(20,108)	(3,700)
Tax effect of share of losses of joint ventures	3,141	65
Tax effect of tax losses not recognised	265	559
Tax loss utilised	(44)	–
Under/(over) provision in prior years	322	(291)
Others	426	141
Income tax expense	10,571	9,754

9. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2020 of HK34 cents per ordinary share (2020: for the year ended 30 September 2019 of HK34 cents per ordinary share)	**37,461**	37,461
Interim dividend for the year ended 30 September 2021 of HK4 cents per ordinary share (2020: for the year ended 30 September 2020 of HK4 cents per ordinary share)	**4,407**	4,407
	41,868	41,868
Dividend proposed:		
Final dividend for the year ended 30 September 2021 of HK34 cents per ordinary share (2020: for the year ended 30 September 2020 of HK34 cents per ordinary share)	**37,461**	37,461

The final dividend of HK34 cents (2020: HK34 cents) per share has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit for the year attributable to the owners of the Company of approximately HK$137,121,000 (2020: loss attributable to owners of the Company of approximately HK$59,535,000) and on 110,179,385 (2020: 110,179,385) ordinary shares in issue during the year.

There were no potential ordinary shares in issue during both years and at the end of both reporting periods.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the seven (2020: seven) directors of the Company are as follows:

	Fees	Basic salaries, allowances and benefits-in-kind	Contributions to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 September 2021				
Executive Directors:				
Wong Tat Chang, Abraham	110	2,262	–	2,372
Wong Tat Kee, David	110	–	–	110
Wong Tat Sum, Samuel	110	–	–	110
Independent non-executive Directors:				
Lam Hsieh Lee Chin, Linda (retired on 1 December 2020)	18	–	–	18
Li Kwok Sing, Aubrey	110	150	–	260
Sit Hoi Wah, Kenneth	110	120	–	230
Seto Gin Chung, John	110	60	–	170
	678	2,592	–	3,270
Year ended 30 September 2020				
Executive Directors:				
Wong Tat Chang, Abraham	110	2,252	–	2,362
Wong Tat Kee, David	110	–	–	110
Wong Tat Sum, Samuel	110	–	–	110
Independent non-executive Directors:				
Lam Hsieh Lee Chin, Linda	110	–	–	110
Li Kwok Sing, Aubrey	110	150	–	260
Sit Hoi Wah, Kenneth	110	120	–	230
Seto Gin Chung, John	110	60	–	170
	770	2,582	–	3,352

Mr. Wong Tat Chang, Abraham is also the Chairman and Managing Director of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman and Managing Director.

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as Directors of the Company.

There was no arrangement under which a director or the Chairman and Managing Director waived or agreed to waive any remuneration during the year ended 30 September 2021 and 2020.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group during the year ended 30 September 2021, one (2020: one) was a director of the Company whose emoluments have been included in note 11 above. The emoluments of the remaining four (2020: four) individuals were as follows:

	2021	2020
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	4,153	4,346
Performance related bonus	1,004	675
Contributions to retirement benefit scheme	79	79
	5,236	5,100

Their emoluments were within the following bands:

	2021	2020
	No. of employees	No. of employees
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	1

The emoluments paid or payable to members of senior management were within the following bands:

	2021	2020
	No. of employees	No. of employees
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 October 2019	5,213,818
Addition during the year	19,156
Decrease in fair value recognised in the profit or loss	(114,033)
At 30 September 2020 and 1 October 2020	5,118,941
Addition during the year	**21,789**
Increase in fair value recognised in the profit or loss	**95,228**
At 30 September 2021	**5,235,958**

(a) All of the Group's property interests in land held under operating leases to earn rentals are classified and accounted for as investment properties and measured using the fair value model.

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

	2021	2020
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**95,869**	(34,844)
Commercial	**(8,959)**	(80,312)
Industrial	**4,400**	(1,400)
Properties located in the PRC:		
Residential *(Note)*	**3,918**	2,523
	95,228	(114,033)

Note: Revenue contributed by the investment properties with fair value of approximately HK$94,779,000 (2020: HK$90,861,000) located in the PRC is approximately HK$1,541,000 (2020: HK$1,408,000) for the year ended 30 September 2021.

13. INVESTMENT PROPERTIES (CONTINUED)

(c) Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group used market observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

The Group's investment properties at 30 September 2021 and 2020 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by Cushman & Wakefield Limited, which is a firm of independent qualified external valuers not connected with the Group, a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

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

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2021

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties in Hong Kong	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the location, and individual factors, such as frontage and size, between the comparable and the property, of ranging from HK$500,000 to HK$1,200,000 per unit for car park spaces.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Investment properties in Hong Kong	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of ranging from 1.63% to 7.0%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of location and individual factors such as frontage and size, between the comparable and the property, of ranging from HK$12 to HK$113.4 per square feet per month on lettable area basis.	An increase in the monthly market rent used would result an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2021 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties in the PRC	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of 1.5%.	An slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of time, location and individual factors such as frontage and size, between the comparable and the property, of RMB95 per square meter per month on lettable area basis.	An increase in the monthly market rent used would result in an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2020

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties in Hong Kong	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the location, and individual factors, such as frontage and size, between the comparable and the property, of ranging from HK$500,000 to HK$1,100,000 per unit for car park spaces.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Investment properties in Hong Kong	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of ranging from 1.75% to 7.0%.	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of location and individual factors such as frontage and size, between the comparable and the property, of ranging from HK$11.7 to HK$115.9 per square feet per month on lettable area basis.	An increase in the monthly market rent used would result an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

13. INVESTMENT PROPERTIES (CONTINUED)

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

As at 30 September 2020 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties in the PRC	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition, of 1.5%.	An slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of location and individual factors such as frontage and size, between the comparable and the property, of RMB94 per square meter per month on lettable area basis.	An increase in the monthly market rent used would result in an increase in the fair value measurement of the investment properties by the same percentage, and vice versa.

The fair values of all investment properties were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy throughout the year.

13. INVESTMENT PROPERTIES (CONTINUED)

(d) The fair value of investment properties is a level 3 recurring fair value measurement

A reconciliation of the opening and closing fair value balance is provided below.

	2021	2020
	HK$'000	*HK$'000*
Opening balance (level 3 recurring fair value)	**5,118,941**	5,213,818
Addition during the year	**21,789**	19,156
Increase/(decrease) in fair value of investment properties	**95,228**	(114,033)
Closing balance (level 3 recurring fair value)	**5,235,958**	5,118,941

(e) The Group's certain investment properties are pledged to secure the general banking facilities granted to the Group (Note 30).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong under long lease	Buildings	Leasehold improvement, furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 30 September 2019 and 1 October 2019	1,172	5,269	25,948	3,212	35,601
Additions	–	–	1,688	198	1,886
Disposals	–	–	(1,697)	–	(1,697)
At 30 September 2020 and 1 October 2020	**1,172**	**5,269**	**25,939**	**3,410**	**35,790**
Additions	**–**	**–**	**4,746**	**417**	**5,163**
Acquired through step acquisition (Note 26)	**–**	**–**	**11**	**–**	**11**
Disposals	**–**	**–**	**(1,089)**	**(787)**	**(1,876)**
At 30 September 2021	**1,172**	**5,269**	**29,607**	**3,040**	**39,088**
ACCUMULATED DEPRECIATION					
At 1 October 2019	330	3,799	24,529	2,529	31,187
Provided for the year	8	105	699	147	959
Eliminated on disposals	–	–	(1,691)	–	(1,691)
At 30 September 2020 and 1 October 2020	**338**	**3,904**	**23,537**	**2,676**	**30,455**
Provided for the year	**8**	**104**	**787**	**700**	**1,599**
Eliminated on disposals	**–**	**–**	**(1,087)**	**(787)**	**(1,874)**
At 30 September 2021	**346**	**4,008**	**23,237**	**2,589**	**30,180**
NET CARRYING VALUES					
At 30 September 2021	**826**	**1,261**	**6,370**	**451**	**8,908**
At 30 September 2020	834	1,365	2,402	734	5,335

The Group's leasehold land and buildings are pledged to secure the general banking facilities granted to the Group (Note 30).

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying value of the Group's right-of-use assets included in property, plant and equipment as at 30 September 2021 and 2020 represented the leasehold land in Hong Kong under long lease and carried at depreciated cost.

Right-of-use assets

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

	2021	2020
	HK$'000	*HK$'000*
Ownership interests in leasehold land held for own use, carried at depreciated cost in Hong Kong*	826	834

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

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

	2021	2020
	HK$'000	*HK$'000*
Depreciation of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	8	8

15. INTANGIBLE ASSETS

	Goodwill	Software	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 October 2019, 30 September 2020 and 1 October 2020	–	–	–
Acquired through step acquisition *(note 26)*	1,186	975	2,161
At 30 September 2021	**1,186**	**975**	**2,161**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS			
At 1 October 2019, 30 September 2020 and 1 October 2020	–	–	–
Provided for the year	–	(43)	(43)
Provision for impairment loss	(400)	–	(400)
At 30 September 2021	**(400)**	**(43)**	**(443)**
NET CARRYING VALUES			
At 30 September 2021	**786**	**932**	**1,718**
At 30 September 2020	–	–	–

Goodwill

The goodwill at 30 September 2021 comprises goodwill arising from acquisition of Elevant-Garde Limited ("Elevant-Garde") (Note 26) which represents the control premium paid, skills and technical talent of Elevant-Garde's workforce and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The carrying amount of goodwill has been allocated to the cash generating unit ("CGU") of the Elevant-Garde business.

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing on goodwill

The recoverable amount of this CGU is determined using the value-in-use calculation based on cash flow projections from financial budgets approved by management covering a five-year period ("Period"). The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and revenue during the Period. Cash flow beyond the Period are extrapolated using an estimated weighted average growth rate of 1.9% for this CGU, which does not exceed the long-term growth rate for the Elevant-Garde business, and discount rate of 11.96%, which is pre-tax and reflect specific risks relating to this CGU. The growth rate and revenue are determined based on the past performance and management's expectation of market development.

As at 30 September 2021, the recoverable amount of the Elevant-Garde CGU is approximately HK$2,304,000. The market growth was slower than management's expectation and an impairment loss of approximately HK$400,000 was recognised in other expenses. As the carrying amount of Elevant-Garde CGU has been reduced to its recoverable amount, any reasonable possible change in the key assumptions used to calculate the recoverable amount might result in further impairment losses.

16. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE

	2021	2020
	HK$'000	*HK$'000*
Cost of unlisted investments *(Note i)*	3	2,003
Fair value adjustments on non-current interest-free amount due from a joint venture	79,813	70,792
Dividend declared	(62,200)	(62,200)
Share of (losses)/profits	(3,503)	13,536
Cumulative exchange gain arising from long term advances	6,720	3,528
Exchange realignment	6,690	4,325
	27,523	31,984
Amount due from a joint venture – non-current *(Note ii)*	148,878	115,831
Amount due from a joint venture – current *(Note iii)*	–	1,022

Notes:

i. As at 30 September 2021, the cost of investments comprised of one investments in a joint ventures of HK$3,000 (2020: two investments in joint ventures of HK$3,000 and HK$2,000,000 respectively).

The investment in a joint venture of HK$3,000 (2020: HK$3,000) represents a $33^{1}/_{3}$% interest in the issued share capital of Silver Gain Development Limited ("Silver Gain"), a company incorporated in Hong Kong. Silver Gain is principally engaged in the development of a commercial/residential complex in Guangzhou, Silver Gain Plaza, the PRC, through a subsidiary established in the PRC named Guangzhou Garden Plaza Development Company Limited.

As at 30 September 2020, the investment in a joint venture of HK$2,000,000 represents a 50% interest in the issued share capital of Elevant – Garde, a company incorporated in Hong Kong. Elevant – Garde is principally engaged in trading of smart and control solutions for intelligent buildings, smart homes and Pro Audio Visual system. During the year ended 30 September 2021, Elevant – Garde ceased to be a joint venture of the Group and has become a subsidiary of the Company. On 2 August 2021, the Group completed an additional investment of 5% in Elevant – Garde, through acquiring from an independent shareholder of Elevant – Garde at consideration of HK$40 (the "Step Acquisition"). Upon completion of the Step Acquisition, the Group held equity interest of 54.89% in Elevant – Garde and Elevant – Garde has become an indirect non-wholly owned subsidiary of the Company thereafter. Details of the Step Acquisition are disclosed in Note 26.

ii. The amount due from a joint venture is unsecured, interest free, and is not expected to be repaid within twelve months from the end of the reporting period. The fair value adjustment on the amount due from a joint venture recognised during the year amounting to HK$9,020,000 (2020: HK$6,433,000) recognised upon revision of estimated repayment date which affected the estimates of timing of cash flows of repayment. The effective interest rate as at 30 September 2021 was 5.25% (2020: 5%) per annum.

During the year ended 30 September 2013, the joint venture declared a special dividend. The dividend of HK$60,320,000 (2020: HK$58,095,000) receivable by the Group has not yet been settled as at 30 September 2021 and was included in the balance of amount due from a joint venture as at 30 September 2021. The remaining balance of amount due from a joint venture mainly represented long term advances made by the Group to the joint venture which are denominated in HK$, which is not the functional currency of the joint venture. Exchange differences arising on the advances have been recognised in other comprehensive income as the advances form part of the Group's net investment in the joint venture.

16. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

Notes: (Continued)

iii As at 30 September 2020, the amount due from a joint venture is unsecured, interest free, and is expected to be repaid within twelve months from the end of the reporting period.

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

Amount due from a joint venture:

	HK$'000
At 1 October 2019	15,046
Provision for impairment	1,112
At 30 September 2020 and 1 October 2020	**16,158**
Provision for impairment	**6,958**
At 30 September 2021	**23,116**

Loan to a joint venture:

	HK$'000
At 1 October 2019	840
Reversal of impairment	(840)
At 30 September 2020, 1 October 2020 and 30 September 2021	–

16. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Consolidated financial information regarding Silver Gain and its subsidiary is set out below:

	2021	2020
	HK$'000	*HK$'000*
Revenue	28,182	31,693
Expenses	(84,897)	(31,828)
Loss for the year	(56,715)	(135)

	2021	2020
	HK$'000	*HK$'000*
Financial position		
Non-current assets	1,628	1,705
Current assets	607,035	555,030
Current liabilities	(9,110)	(65,615)
Non-current liabilities	(516,984)	(395,561)
Net assets	82,569	95,559

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

	2021	2020
	HK$'000	*HK$'000*
Net assets	82,569	95,559
Proportion of the Group's ownership interest in Silver Gain	$33^1/_3$%	$33^1/_3$%
	27,523	31,853

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

	2021	2020
	HK$'000	*HK$'000*
The loss and total comprehensive income for the year up to the completion date of Step Acquisition	(419)	(696)

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK$'000	*HK$'000*
Debt instruments at FVOCI		
– Listed debt securities investment, at fair value and classified as non-current asset	8,180	36,076
– Listed debt securities investment, at fair value and classified as current asset	27,436	1,579
Equity instrument designated at FVOCI		
– Unlisted equity investment, at fair value and classified as non-current asset	16,000	18,000

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 investment revaluation reserve (non-recycling) to retained profits when the relevant equity instrument is derecognised.

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

18. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Trading inventories	19,694	20,237
Less: Write-down of inventories	(3,828)	(3,655)
	15,866	16,582

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Non-current portion *(Note)*		
– Unlisted equity instrument in Hong Kong, at fair value	37,559	35,768
– Unlisted equity instruments outside Hong Kong, at fair value	63,244	17,944
	100,803	53,712
Current portion		
– Listed equity securities in Hong Kong, at fair value	25,178	20,690

Note:

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

There is a contractual obligation for the unlisted investee companies to distribute proceeds from the sales of its investments or residual assets upon termination of the investee companies to its shareholders. The changes in fair value of the unlisted equity instruments during the year is recognised in profit or loss and such the investments were recorded as financial asset at FVTPL as at 30 September 2021 and 2020 according to the relevant exemption in HKAS 32 and HKFRS 9.

20. TRADE AND OTHER RECEIVABLES

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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	7,802	8,597
Less: Provision for impairment	(3,129)	(2,674)
Trade receivables, net	4,673	5,923
Other receivables	5,448	8,516
Less: Provision for impairment	(1,459)	(3,654)
Other receivables, net	3,989	4,862
Total trade and other receivables	8,662	10,785

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	3,360	5,065
31 – 60 days	1,087	747
61 – 90 days	226	111
Over 90 days	–	–
	4,673	5,923

Before accepting any new customer, the Group will assess the potential customer's credit quality. Limits attributed to customers are reviewed once a year. The Group's trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

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

	HK$'000
At 1 October 2019	1,788
Provision for impairment	4,540
At 30 September 2020 and 1 October 2020	6,328
Reversal of impairment	(1,740)
At 30 September 2021	4,588

21. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carry interest rates at prevailing rates which range from 0.05% to 2.47% (2020: 0.30% to 2.47%) per annum.

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

	2021	2020
	HK$'000	*HK$'000*
HKD	47,062	88,082
RMB	17,797	31,859
USD	3,454	38,163
Others	70	67
	68,383	158,171

The Group had cash and bank balances denominated in RMB of approximately RMB14,490,000 (2020: RMB14,486,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

As at 30 September 2020, the Group's pledged bank deposits represented deposits pledged to bank to secure the general banking facilities granted to the Group as set out in note 30 to the consolidated financial statements and were released upon expiration of the facilities.

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods, and the total balances of trade and other payables comprise:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	1,683	1,600
31 – 60 days	–	450
61 – 90 days	540	165
Over 90 days	1,382	352
	3,605	2,567
Other payables	19,581	18,632
Renovation fee and retention payable	3,654	3,102
Receipt in advance	2,501	1,982
Contract liabilities *(Note)*	6,795	8,437
Provision for repair and maintenance	–	5,234
	36,136	39,954

22. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Contract liabilities amounted to HK$8,320,000 as at 1 October 2020 were recognised as revenue (2020: HK$1,922,000) in the current reporting period.

As at 30 September 2021, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to sale of goods was approximately HK$11,142,000 (2020: HK$15,233,000). The directors expect that the unsatisfied performance obligation will be recognised as revenue varying from 1 to 3 years (2020: 1 to 3 years) according to the contract period.

23. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Issued and fully paid		
At 1 October 2019, 30 September 2020, 1 October 2020 and 30 September 2021 – Ordinary shares with no par value	110,179,385	146,134

24. BANK BORROWINGS, SECURED

	2021	2020
	HK$'000	*HK$'000*
Repayable based on the scheduled repayment date set out in the loan agreements:		
– Within one year or on demand	65,000	55,000

The Group's bank borrowings of HK$65,000,000 (2020: HK$55,000,000) contain a repayment on demand clause and therefore are shown under current liabilities.

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

The effective interest rates of the bank borrowings is ranged from 1.57% to 1.61% (2020: 1.73% to 2.05%) per annum.

The bank borrowings are secured by the Group's certain investment properties amounted to approximately HK$1,133,000,000 as at 30 September 2021 (2020: HK$1,111,000,000).

At 30 September 2021, the Group had unutilised bank facilities of HK$1,078,000,000 (2020: HK$466,000,000).

25. DEFERRED TAXATION

The deferred tax liabilities/(assets) recognised during both years and at the end of the reporting periods in respect of temporary differences are attributable to the following:

	Investment properties	Property, plant and equipment	Trading securities	Tax losses	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2019	43,795	140	3,980	(5,019)	(485)	42,411
Charge/(credit) to profit or loss	4,960	163	(1,268)	1,019	–	4,874
At 30 September 2020 and 1 October 2020	48,755	303	2,712	(4,000)	(485)	47,285
Charge to profit or loss	3,388	2	741	515	–	4,646
At 30 September 2021	52,143	305	3,453	(3,485)	(485)	51,931

At the end of the reporting period, the Group had unused tax losses of HK$28,436,000 (2020: HK$29,951,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$21,121,000 (2020: HK$24,242,000). No deferred tax asset has been recognised on the tax losses of HK$7,315,000 (2020: HK$5,709,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

26. STEP ACQUISITION FROM JOINT VENTURE TO SUBSIDIARY

On 2 August 2021, Elephant Holdings Limited ("EHL"), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent shareholder of Elevant-Garde (the "Vendor"), pursuant to which EHL conditionally agreed to purchase and Vendor conditionally agreed to sell 5% equity interest in Elevant-Garde at a consideration of HK$40. Elevant-Garde is engaged in trading of smart and control solutions for intelligent buildings, smart homes and Pro Audio Visual system. The Step Acquisition was made to expand and enhance the revenue stream of the Group.

The Step Acquisition was completed on 2 August 2021 (the "Completion Date"). As at the Completion Date, Elevant-Garde has become a 54.89% owned subsidiary of the Company. The Group is regarded as having control over Elevant-Garde with majority shareholder and Board of Directors voting rights. In accordance with HKFRSs, the Group continued to share the results of Elevant-Garde under the equity method of accounting during the period from 1 October 2020 to the Completion Date.

As at Completion Date, the Group remeasured the fair value of its previously held equity interest in Elevant-Garde at the Completion Date.

26. STEP ACQUISITION FROM JOINT VENTURE TO SUBSIDIARY (CONTINUED)

Details of the carrying value and fair value of the Group's previously held equity interest in Elevant-Garde at the Completion Date are summarised as follows:

	HK$'000
Fair value of previously held equity interest	–
Interest in Elevant-Garde before the Step Acquisition	–
Gain on step acquisition	–

The fair value of identifiable assets and liabilities of Elevant-Garde as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	11
Intangible asset	975
Inventories	515
Trade and other receivables	257
Deposits and prepayments	318
Bank balances and cash	92
Trade and other payables	(1,699)
Amount due to the non-controlling interests	(962)
Amounts due to the Group	(1,664)
Total identifiable net liabilities at fair value	(2,157)
Non-controlling interests	971
Total identifiable net liabilities at fair value attributable to the Group	(1,186)
Goodwill	1,186
	–
Satisfied by:	
Cash consideration of HK$40	–
Fair value of previously held equity interest	–
	–

26. STEP ACQUISITION FROM JOINT VENTURE TO SUBSIDIARY (CONTINUED)

The fair value of trade receivables amounted to approximately HK$257,000. The gross amount of trade receivables is approximately HK$257,000. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of approximately HK$1,186,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of Elevant-Garde's workforce and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group has elected to measure the non-controlling interests in Elevant-Garde at its proportionate share of the acquired net identifiable liabilities. The amount of the non-controlling interests at the acquisition date amounted to approximately HK$971,000.

An analysis of the cash flows in respect of the Step Acquisition of Elevant-Garde is as follows:

	HK$'000
Cash consideration paid at HK$40	–
Cash and cash equivalents acquired	92
Net cash inflows arising from the Step Acquisition	92

Since the Completion Date, Elevant-Garde has contributed revenue of approximately HK$752,000 to Group's revenue and loss of approximately HK$121,000 to Group's profit. If the acquisition had occurred on 1 October 2020, the Group's revenue and profit would have been approximately HK$157,928,000 and HK$136,784,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 October 2020, nor is it intended to be a projection of future performance.

27. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
Non-current Assets		
Investment properties	4,357,980	4,250,980
Property, plant and equipment	2,416	2,985
Investments in subsidiaries	93,847	87,414
Amounts due from subsidiaries	585,711	524,942
Deposits and prepayments	2,257	3,176
Debt instruments at FVOCI	8,180	36,076
Equity instrument designated at FVOCI	16,000	18,000
	5,066,391	4,923,573
Current Assets		
Debt instruments at FVOCI	27,436	1,579
Trade and other receivables	1,052	2,052
Deposits and prepayments	541	641
Tax recoverable	84	–
Pledged bank deposits	–	34,882
Bank balances and cash	22,450	80,771
	51,563	119,925
Current Liabilities		
Trade and other payables	13,674	17,633
Rental and management fee deposits	19,915	17,934
Amounts due to subsidiaries	6,534	7,066
Bank borrowings, secured	25,000	15,000
Provision for taxation	–	4,284
	65,123	61,917
Net Current (Liabilities)/Assets	(13,560)	58,008
Total Assets less Current Liabilities	5,052,831	4,981,581
Capital and Reserve		
Share capital	146,134	146,134
Reserves	4,876,962	4,808,162
Total Equity	5,023,096	4,954,296
Non-current Liability		
Deferred taxation	29,735	27,285
	5,052,831	4,981,581

The financial statements were approved by the board of directors on 10 December 2021 and were signed on its behalf.

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

27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

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

	Investment revaluation reserve (recycling)	Investment revaluation reserve (non-recycling)	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2019	1,060	18,200	4,873,301	4,892,561
Loss for the year	–	–	(34,546)	(34,546)
Other comprehensive income for the year:				
Changes in fair value on:				
– Debt instruments at FVOCI	215	–	–	215
– Equity instrument designated at FVOCI	–	(8,200)	–	(8,200)
Final dividend for 2019 paid	–	–	(37,461)	(37,461)
Interim dividend for 2020 paid	–	–	(4,407)	(4,407)
At 30 September 2020 and 1 October 2020	1,275	10,000	4,796,887	4,808,162
Profit for the year	–	–	113,270	113,270
Other comprehensive income for the year:				
Changes in fair value on:				
– Debt instruments at FVOCI	(590)	–	–	(590)
– Equity instrument designated at FVOCI	–	(2,000)	–	(2,000)
Release on disposal of debt instrument at FVOCI	(12)	–	–	(12)
Final dividend for 2020 paid	–	–	(37,461)	(37,461)
Interim dividend for 2021 paid	–	–	(4,407)	(4,407)
At 30 September 2021	673	8,000	4,868,289	4,876,962

27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Particulars of the subsidiaries at 30 September 2021 and 2020, which are incorporated and operating principally in Hong Kong unless otherwise stated, are as follows:

Name of subsidiaries	Issued share capital/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	**2021**	2020	
		%	%	%	%	
Avery Limited	HK$10,000	**100**	100	**–**	–	Property investment
Avery Property Limited	HK$10,000	**100**	100	**–**	–	Investment holding
Beverly Investment Company Limited	HK$3,600,000	**100**	100	**–**	–	Property management
Dragon World Corporation Limited	HK$10,000	**100**	100	**–**	–	Investment holding
Double Mark Enterprises Limited *(ii)*	HK$2	**–**	–	**100**	100	Property investment
Dynabest Development Inc. *(i)*	USD10	**–**	–	**100**	100	Investment holding
Elephant Holdings Limited	HK$1,000,000	**99.80**	99.80	**–**	–	Trading of visual and sound equipment and investment holding
Elephant Radio (China) Company Limited	HK$2	**–**	–	**99.80**	99.80	Inactive
Elevant-Garde Limited	HK$2,000,400	**–**	–	**54.89**	49.90	Trading of smart and control solutions for intelligent buildings, smart homes and Pro Audio Visual system
First Madison Holdings Limited *(i)*	USD10	**100**	100	**–**	–	Investment holding
Gold Channel Investments Limited	HK$1	**100**	100	**–**	–	Investment holding
Marsbury Base Limited	HK$10	**100**	100	**–**	–	Provision of trustee and nominee services
Metrocenter Holdings Limited	HK$10,000	**100**	100	**–**	–	Dormant
Metropoint Holdings Limited	HK$10,000	**100**	100	**–**	–	Investment holding

27. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Name of subsidiaries	Issued share capital/ registered capital	Proportion of nominal value of paid-up issued share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
		%	%	%	%	
Metrowealth Limited	HK$10,000	100	100	–	–	Investment holding (2020: Dormant)
Monte Bella International Holdings Limited *(i)*	USD10	100	100	–	–	Investment holding
Pacific Limited	HK$100,000	100	100	–	–	Property investment
Patricus Limited	HK$10,000	100	100	–	–	Property investment and securities dealing
Pokfulam Property Management Limited	HK$10,000	100	100	–	–	Property management
Premium Wealth Company Limited	HK$2	100	100	–	–	Investment holding
Supreme Universal Limited	HK$2	–	–	100	100	Investment holding
Well Vantage Company Limited *(ii)*	HK$2	–	–	100	100	Property investment
Wellmake Holdings Limited	HK$10,000	100	100	–	–	Property investment
Welshston Limited	HK$10,000	100	100	–	–	Property investment
Worldwide Music Limited	HK$200,000	–	–	99.80	99.80	Trading of visual and sound equipment
廣州市寶臨置業有限公司*(iii)*	USD1,000,000	–	–	100	100	Property investment and management
深圳利臨投資顧問有限公司*(iii)*	RMB100,000	–	–	100	100	Inactive

Notes:

(i) Incorporated in the British Virgin Islands
(ii) Operating principally in the PRC
(iii) Registered in the PRC as wholly foreign owned enterprise

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings	Amount due to the non-controlling interests
	HK$'000	*HK$'000*
At 1 October 2019	55,000	–
Changes from financing cash flows:		
Bank borrowings raised	21,004	–
Repayment of bank borrowings	(21,004)	–
Interest paid	(1,850)	–
Other changes:		
Interest expense recognised	1,850	–
At 30 September 2020 and 1 October 2020	55,000	–
Changes from financing cash flows:		
Bank borrowings raised	45,000	–
Repayment of bank borrowings	(35,000)	–
Interest paid	(1,097)	–
Repayment to the non-controlling interests	–	(312)
Other changes:		
Arising from step-acquisition	–	962
Interest expense recognised	1,097	–
At 30 September 2021	65,000	650

29. COMMITMENTS

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

	2021	2020
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property renovation costs	7,600	1,186
Investment in unlisted equity instruments	14,772	23,122
	22,372	24,308
Authorised, but not contracted for:		
Property renovation costs	–	2,242

30. PLEDGED ASSETS

As at 30 September 2021 (i) investment properties of the Group with a carrying amount of approximately HK$4,863,000,000 (2020: approximately HK$4,810,000,000); and (ii) ownership interests in leasehold land held for own use and building of the Group with a carrying amount of approximately HK$2,087,000 (2020: approximately HK$2,199,000) were pledged to banks to secure the general banking facilities granted to the Group. As at 30 September 2020, the Group's time deposit of HK$34,882,000 were pledged for banking facilities.

31. LEASE ARRANGEMENTS

At the end of the reporting period, the Group's investment properties with an aggregate carrying amount of HK$4,801,597,000 (2020: HK$3,946,538,000) was leased out under operating leases for periods ranging from one to seven years (2020: one to seven years), a substantial portion of which does not have renewal options granted to the lessees. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2021	2020
	HK$'000	*HK$'000*
Within one year	87,004	62,281
In more than one year but not more than two years	36,728	30,498
In more than two years but not more than three years	743	7,401
In more than three years but not more than four years	–	1,102
	124,475	101,282

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of HK$909,000 (2020: HK$845,000) represents contributions paid and payable to the plan by the Group at rates specified in the rules of the plan.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital, retained profits, translation reserve and investment revaluation reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital and will adjust its overall capital structure through dividend payments, issuing new shares as well as issue of new debts or repayment of existing debt, if necessary.

34. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021	2020
	HK$'000	*HK$'000*
Financial assets		
Measured at fair value		
– Debt instruments designated at FVOCI	35,616	37,655
– Equity instrument designated at FVOCI	16,000	18,000
– Financial assets at FVTPL	125,981	74,402
Measured at amortised cost		
– Trade and other receivables	8,662	10,785
– Deposits	1,861	1,602
– Amounts due from a joint venture	148,878	116,853
– Pledged bank deposits	–	34,882
– Bank balances and cash	68,383	123,289
	405,381	417,468
Financial liabilities		
Measured at amortised cost		
– Trade and other payables	26,840	24,301
– Rental and management fee deposits	26,286	24,474
– Amount due to the non-controlling interests	650	–
– Bank borrowings, secured	65,000	55,000
	118,776	103,775

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies

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

Market risk

(i) Currency risk

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

At the end of reporting periods, the carrying amounts of the Group's monetary assets denominated in currencies other than respective functional currencies of the relevant group entities are as follows:

	2021	2020
	HK$'000	*HK$'000*
USD	102,315	93,762
RMB	78,114	89,952

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to a foreign currency risk arising from monetary assets that are denominated in USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against USD and RMB. 5% (2020: 5%) is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding USD and RMB denominated monetary items at the end of the reporting periods for a 5% (2020: 5%) change in USD and RMB. A negative number below indicates a decrease in post-tax profit where HK$ strengthen 5% (2020: 5%) against USD and RMB. For a 5% (2020: 5%) weakening of the HK$ against USD and RMB, there would be an equal and opposite impact on the profits.

	2021	2020
	HK$'000	*HK$'000*
USD	(4,272)	(3,915)
RMB	(3,261)	(3,755)

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow interest rate risk relates primarily to a floating-rate bank borrowings (note 24) and bank balances (note 21) and mainly concentrated on the fluctuation of HIBOR. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments (variable rate bank borrowings) at the end of the reporting period. In the opinion of directors of the Company, no sensitivity analysis for bank balances is prepared as the effect of fluctuation of interest rate is not significant.

The analysis is prepared assuming the amount of the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 (2020: 50) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 September 2021 would decrease/increase by approximately HK$271,000 (2020: loss for the year increase/decrease by approximately HK$230,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk (Continued)

(iii) Other price risk

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

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

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

– profit for the year ended 30 September 2021 would increase/decrease by approximately HK$24,365,000 (2020: loss for the year decrease/increase by approximately HK$14,198,000) due to the change in fair value of financial assets at FVTPL; and

– other comprehensive income for the year ended 30 September 2021 would increase/decrease by approximately HK$10,323,000 (2020: increase/decrease by HK$11,131,000) as a result of the change in fair value of financial assets at FVOCI.

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk

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

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

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

– internal credit rating;

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

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

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

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

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

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

(i) Impairment of trade receivables

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade receivables as at 30 September 2020 and 2021:

	2021			2020		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*	*(%)*	*HK$'000*	*HK$'000*
Neither past due nor impaired	2.86%	1,940	53	3.08%	1,375	26
1-30 days past due	4.00%	1,543	70	3.99%	3,876	160
31-60 days past due	5.29%	1,143	56	5.33%	789	42
61-90 days past due	6.25%	236	10	6.42%	119	8
Over 90 days past due	100.00%	2,940	2,940	100.00%	2,438	2,438
		7,802	3,129		8,597	2,674

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

(i) Impairment of trade receivables (Continued)

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

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

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

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

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

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

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk (Continued)

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and loan as at 30 September 2020 and 2021:

	2021			2020		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	(%)	*HK$'000*	*HK$'000*	*(%)*	*HK$'000*	*HK$'000*
Other receivables	3.25%-38.79%	5,448	1,459	0.11%-56.26%	8,516	3,654
Amount due from a joint venture	13.44%	171,994	23,116	3.24%-14%	133,011	16,158
		177,442	24,575		141,527	19,812

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure sufficient working capital are maintained and adequate committed lines of funding from reputable financial institutions to meet its liquidity requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity tables

	Weighted average effective interest rate	Carrying amount	Total undiscounted cash flows	Within 1 year or on demand
		HK$'000	*HK$'000*	*HK$'000*
2021				
Trade and other payables	–	26,840	26,840	26,840
Rental and management fee deposits	–	26,286	26,286	26,286
Amount due to the non-controlling interests	–	650	650	650
Bank borrowings at variable rates	1.57% – 1.61%	65,000	65,000	65,000
		118,776	118,776	118,776

	Weighted average effective interest rate	Carrying amount	Total undiscounted cash flows	Within 1 year or on demand
		HK$'000	*HK$'000*	*HK$'000*
2020				
Trade and other payables	–	24,301	24,301	24,301
Rental and management fee deposits	–	24,474	24,474	24,474
Bank borrowings at variable rates	1.73% – 2.05%	55,000	55,000	55,000
		103,775	103,775	103,775

34. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause is included in the "within 1 year or on demand" time band in the above maturity analysis. As at 30 September 2021, the principal amount of such bank borrowings amounted to HK$65,000,000 (2020: HK$55,000,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. On this basis, the aggregate principal and interest for the bank borrowings would be as follows:

	Weighted average effective interest rate	0 to 3 months	4 to 12 months	1 to 2 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2021						
Bank borrowings at variable rates	1.57% – 1.61%	25,186	40,053	–	65,239	65,000
2020						
Bank borrowings at variable rates	1.73% – 2.05%	15,195	40,059	–	55,254	55,000

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

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

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

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

Financial assets	Fair value as at 30 September 2021	Fair value measurements as at 30 September 2021 categorised into Level 1	Level 2	Level 3
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Financial assets measured at FVTPL:				
– Listed equity securities	25,178	25,178	–	–
– Unlisted equity instruments	100,803	–	–	100,803
Equity instruments designated at FVOCI:				
– Unlisted equity investment	16,000	–	–	16,000
Debt instruments at FVOCI:				
– Listed debt securities investment	35,616	35,616	–	–

Financial assets	Fair value as at 30 September 2020	Fair value measurements as at 30 September 2020 categorised into Level 1	Level 2	Level 3
	HK$'000	*HK$'000* (note)	*HK$'000*	*HK$'000*
Financial assets measured at FVTPL:				
– Listed equity securities	20,690	20,690	–	–
– Unlisted equity instruments	53,712	–	–	53,712
Equity instruments designated at FVOCI:				
– Unlisted equity investment	18,000	–	–	18,000
Debt instruments at FVOCI:				
– Listed debt securities investment	37,655	37,655	–	–

Note:

Fair values of these investments have been determined by reference to their quoted bid prices as at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity securities classified as equity instruments designated at FVOCI	Unlisted equity instruments classified as financial asset at FVTPL
	HK$'000	*HK$'000*
At 1 October 2019	26,200	38,344
Addition during the year	–	19,255
Change in fair value, recognised in other comprehensive income	(8,200)	–
Change in fair value, recognised in profit or loss	–	(3,887)
At 30 September 2020 and 1 October 2020	18,000	53,712
Addition during the year	–	43,223
Change in fair value, recognised in other comprehensive income	(2,000)	–
Change in fair value, recognised in profit or loss	–	3,868
At 30 September 2021	16,000	100,803

34. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurement of financial instruments (Continued)

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

Description	Fair value at 30 September 2021	2020	Valuation technique(s)	Unobservable input 2021	2020	Range (weighted average) 2021	2020	Relationship of unobservable inputs to fair value
	HK$'000	HK$'000						
Financial asset measured at FVTPL								
Unlisted equity instrument	37,559	35,768	Adjusted asset-based approach	Discount rate for lack of control	Discount rate for lack of control	30%	30%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Unlisted equity instruments	63,244	17,944	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	9.60%	9.60%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Equity instrument designated at FVOCI								
Unlisted equity investment	16,000	18,000	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	20.60%	20.60%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

There were no transfers between levels during the year ended 30 September 2020 and 2021.

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

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

35. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out by the Group with the related parties during the year. The terms of the below transactions (a) and (b) were mutually agreed by the Group and the related companies.

(a) Significant related party transactions with Elevant-Garde

	2021	2020
	HK$'000	*HK$'000*
Accounting service income received from Elevant-Garde	20	6
Licence income received from Elevant-Garde	210	287
Repair and maintenance expense paid/payable to Elevant-Garde	715	696
Addition of investment properties paid to Elevant-Garde	15	1,540

	2021	2020
	HK$'000	*HK$'000*
Deposits paid to Elevant-Garde included in deposits and prepayments	51	3

Note: Before the Step Acquisition, the Group holds a 49.9% equity interest of Elevant-Garde, a joint venture of the Group. Mr. Wong Tat Chang, Abraham, Mr. Wong Tak Kee, David and Mr. Wong Tat Sum, Samuel, who are the executive directors of the Company (the "Executive Directors"), are beneficial owners of Elevant-Garde. After the Step Acquisition, Elevant-Garde become a subsidiary of the Group (Note 26).

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

	2021	2020
	HK$'000	*HK$'000*
Rental income received from B.L. Wong	1,080	1,030
Property management fee received from B.L. Wong	235	235

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

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel of the Group during the year was as follows:

	2021	2020
	HK$'000	*HK$'000*
Short-term employee benefits	8,418	8,373
Retirement scheme contributions	79	79
	8,497	8,452

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) Transaction with non-controlling interests

For the year ended 30 September 2020

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

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

FIVE YEARS FINANCIAL SUMMARY

(A) CONSOLIDATED RESULTS

	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	141,962	135,535	139,223	140,010	**154,139**
Profit/(loss) for the year	420,421	480,008	136,151	(59,599)	**137,072**
Profit/(loss) for the year attributable to:					
Owners of the Company	419,883	480,770	136,847	(59,535)	**137,121**
Non-controlling interests	538	(762)	(696)	(64)	**(49)**
	420,421	480,008	136,151	(59,599)	**137,072**

(B) CONSOLIDATED NET ASSETS

	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	5,147,246	5,588,661	5,705,536	5,599,086	**5,704,458**
Total liabilities	(139,442)	(141,400)	(163,210)	(173,985)	**(181,518)**
Net assets	5,007,804	5,447,261	5,542,326	5,425,101	**5,522,940**
Equity attributable to owners of the Company	5,000,255	5,440,474	5,536,235	5,425,073	**5,523,932**
Non-controlling interests	7,549	6,787	6,091	28	**(992)**
Total	5,007,804	5,447,261	5,542,326	5,425,101	**5,522,940**

PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

Particulars of investment properties which are wholly owned by the Group are as follows:

Property	Existing use	Lease term	Number of car parking spaces	Approximate floor area
				(square meters)
In Hong Kong				
Beverly House 93-107 Lockhart Road Hong Kong	Commercial	Long lease	43	8,347*
Scenic Villas Apartments K and L on Ground to 14th Floor of Block A-4 2-28 Scenic Villa Drive Hong Kong	Residential	Long lease	30	6,410*
Scenic Villas Apartments D on Ground to 13th Floor of Block B-2 2-28 Scenic Villa Drive Hong Kong	Residential	Long lease	14	2,510*
Scenic Villas The Lower Ground Floor of Block A-3 and part of Car Port Area under Block A-4 2-28 Scenic Villa Drive Hong Kong	Residential	Long lease	25	314*

PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

Property	Existing use	Lease term	Number of car parking spaces	Approximate floor area
				(square meters)
***In Hong Kong** (Continued)*				
3-4 Headland Road Hong Kong	Residential	Long lease	27	3,391#
Wyler Centre Phase 2 13/F and 14/F Nos. 192 - 200 Tai Lin Pai Road Kwai Chung New Territories	Industrial	Medium lease	5	4,760*
1/F, 88A Pok Fu Lam Road Hong Kong	Residential	Long lease	1	155*
Kennedy Court No. 7A Shiu Fai Terrace Nos. 134-136 Kennedy Road Hong Kong	Residential	Medium lease	30	4,102*
In the People's Republic of China				
Units E and F on 1/F to 3/F and 5/F to 9/F, Vivaldi Court Manhattan Garden Chao Yang District Beijing	Residential	Long lease	–	1,987*

* *Approximate gross floor area (square meters)*

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