POKFULAM DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 225)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

	2015	2014	Change
	HK$ Million	*HK$ Million*	
Revenue	**132.5**	136.2	-3%
Operating profit after taxation and non-controlling interests	**86.7**	93.5	-7%
Investment properties revaluation*	**99.0**	82.2	+20%
Listed securities investments revaluation*	**(1.6)**	(1.8)	-11%
Share of (loss) profit of a joint venture	**(11.7)**	4.1	N/A
Profit attributable to shareholders	**172.4**	178.0	-3%
Earnings per share	**HK$1.57**	HK$1.62	-3%
Proposed final dividend per share	**HK$0.23**	HK$0.23	–
Full financial year dividend per share	**HK$0.27**	HK$0.27	–

* *Including taxation effect*

The board of directors of Pokfulam Development Company Limited (the "Company" and the "Board" respectively) and its subsidiaries (collectively the "Group") announces that the audited consolidated results for the year ended 30 September 2015 together with comparative figures for 2014 are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2015

		2015	2014
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**132,473**	136,215
Cost of goods sold		**(17,762)**	(20,774)
Cost of rental and other operations		**(31,512)**	(28,748)
		83,199	86,693
Other income		**35,789**	33,033
Other expense		**(8,491)**	–
Selling and marketing expenses		**(1,837)**	(2,050)
Administrative expenses		**(11,120)**	(11,724)
Finance costs	*4*	**(2,054)**	(1,786)
Profit before changes in fair value of investments held for trading and investment properties		**95,486**	104,166
Decrease in fair value of investments held for trading		**(1,950)**	(2,165)
Increase in fair value of investment properties	*9*	**101,523**	86,409
		195,059	188,410
Share of (loss) profit of a joint venture		**(11,681)**	4,077
Profit before tax	*5*	**183,378**	192,487
Income tax expense	*6*	**(10,849)**	(13,259)
Profit for the year		**172,529**	179,228

	NOTES	2015 HK$'000	2014 HK$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,648)**	(222)
Exchange loss arising from long term advances to a joint venture		**(2,834)**	(2,036)
		(4,482)	(2,258)
Total comprehensive income for the year		**168,047**	176,970
Profit for the year attributable to:			
Owners of the Company		**172,434**	178,001
Non-controlling interests		**95**	1,227
		172,529	179,228
Total comprehensive income for the year attributable to:			
Owners of the Company		**167,952**	175,743
Non-controlling interests		**95**	1,227
		168,047	176,970
		HK$	*HK$*
Earnings per share – basic	8	**1.57**	1.62
		HK$	*HK$*
Proposed final dividend per share	7	**0.23**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current Assets			
Investment properties	9	**4,134,199**	4,018,631
Property, plant and equipment		**4,606**	5,130
Interest in a joint venture		**13,834**	25,078
Amount due from a joint venture		**135,007**	138,701
Deposits and prepayments		**1,362**	–
Available-for-sale investment		**8,000**	8,000
		4,297,008	4,195,540
Current Assets			
Inventories		**7,575**	7,384
Investments held for trading		**44,495**	46,445
Loan to a joint venture		**10,739**	–
Trade and other receivables	10	**8,685**	6,230
Deposits and prepayments		**5,895**	6,517
Bank balances and cash		**173,533**	151,508
		250,922	218,084
Current Liabilities			
Trade and other payables	11	**21,856**	17,362
Rental and management fee deposits		**23,998**	21,067
Provision for taxation		**9,189**	8,455
Bank loans, secured		**70,000**	85,000
		125,043	131,884
Net Current Assets		**125,879**	86,200
Total Assets less Current Liabilities		**4,422,887**	4,281,740
Capital and Reserves			
Share capital	12	**146,134**	146,134
Reserves		**4,239,453**	4,101,249
Equity attributable to owners of the Company		**4,385,587**	4,247,383
Non-controlling interests		**8,014**	7,919
Total Equity		**4,393,601**	4,255,302
Non-current Liability			
Deferred taxation		**29,286**	26,438
		4,422,887	4,281,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets.*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

In addition, Part 9 of the Hong Kong Companies Ordinance (Cap. 622) "Accounts and Audit" has become fully operational this year. Restated presentation and disclosures required by the Hong Kong Companies Ordinance (Cap. 622) have been added or revised in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale equity investments that are currently stated at cost less impairment. At the date of issuance of these financial statements, the directors of the Company are in the process of assessing the potential financial impact.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	2015	2014
	HK$'000	*HK$'000*
Property rentals and building management fees	**101,089**	98,631
Sale of goods	**28,471**	34,601
Dividend income from securities investments held for trading	**2,913**	2,983
	132,473	136,215

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

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

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

Year ended 30 September 2015

	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	**101,089**	**28,471**	**2,913**	**132,473**	**–**	**132,473**
Inter-segment	**1,648**	**–**	**–**	**1,648**	**(1,648)**	**–**
	102,737	**28,471**	**2,913**	**134,121**	**(1,648)**	**132,473**
Segment profit *(Note)*	**179,195**	**1,912**	**985**	**182,092**	**–**	**182,092**
Other income						**34,246**
Other expense						**(8,491)**
Central administrative costs						**(10,734)**
Finance costs						**(2,054)**
Share of loss of a joint venture						**(11,681)**
Profit before tax						**183,378**

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK$101,523,000.

Year ended 30 September 2014

	Property investment and management *HK$'000*	Trading of goods *HK$'000*	Securities investment *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External	98,631	34,601	2,983	136,215	–	136,215
Inter-segment	1,551	–	–	1,551	(1,551)	–
	100,182	34,601	2,983	137,766	(1,551)	136,215
Segment profit *(Note)*	164,436	4,650	832	169,918	–	169,918
Other income						31,502
Central administrative costs						(11,224)
Finance costs						(1,786)
Share of profit of a joint venture						4,077
Profit before tax						192,487

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK$86,409,000.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit represents the profit earned by each segment without allocation of certain other income (mainly including interest income and dividend income from available-for-sale investment), other expense, central administrative costs, finance costs, share of (loss) profit of a joint venture and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

Other segment information

Amounts included in the measure of segment profit:

Year ended 30 September 2015

	Property investment and management *HK$'000*	**Trading of goods** *HK$'000*	**Securities investment** *HK$'000*
Depreciation	**693**	**69**	**–**
Gain on disposal of property, plant and equipment	**(61)**	**–**	**–**
Decrease in fair value of investments held for trading	**–**	**–**	**1,950**

Year ended 30 September 2014

	Property investment and management *HK$'000*	Trading of goods *HK$'000*	Securities investment *HK$'000*
Depreciation	653	73	–
Loss on disposal of property, plant and equipment	9	–	–
Decrease in fair value of investments held for trading	–	–	2,165

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 and, therefore, no geographical segments are presented.

Information about major customers

There are no major customers contributing over 10% of the Group's revenue in both years.

4. FINANCE COSTS

The amounts represent interest on bank loans.

5. PROFIT BEFORE TAX

	2015 *HK$'000*	2014 *HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**899**	875
(Gain) loss on disposal of property, plant and equipment	**(61)**	9
Depreciation on property, plant and equipment	**1,208**	1,185
Staff costs (including directors' emoluments)	**17,118**	17,843
Imputed interest income on amount due from a joint venture	**(4,590)**	(4,185)
Interest income from loan to a joint venture	**(1,294)**	–
Bank interest income	**(3,784)**	(2,548)
Foreign exchange loss (gain), net	**8,491**	(867)
Dividend income from an investee company classified as an available-for-sale investment	**(23,732)**	(23,056)
Gross rental income	**(96,111)**	(94,028)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**11,364**	9,777
	(84,747)	(84,251)

6. INCOME TAX EXPENSE

	2015 *HK$'000*	2014 *HK$'000*
The income tax expense comprises:		
Company and subsidiaries		
Hong Kong Profits Tax:		
– Current tax	**8,454**	8,632
– Overprovision in prior year	**(453)**	(78)
	8,001	8,554
Deferred tax charge	**2,848**	4,705
	10,849	13,259

7. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Final dividend for the year ended 30 September 2014 of HK23 cents per ordinary share (2014: for the year ended 30 September 2013 of HK21 cents per ordinary share)	**25,341**	23,138
Interim dividend for the year ended 30 September 2015 of HK4 cents per ordinary share (2014: for the year ended 30 September 2014 of HK4 cents per ordinary share)	**4,407**	4,407
	29,748	27,545
Dividend proposed:		
Final dividend for the year ended 30 September 2015 of HK23 cents per ordinary share (2014: for the year ended 30 September 2014 of HK23 cents per ordinary share)	**25,341**	25,341

The final dividend of HK23 cents (2014: HK23 cents) per share has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK$172,434,000 (2014: HK$178,001,000) and on 110,179,385 (2014: 110,179,385) ordinary shares in issue during the year.

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

9. INCREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

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

	2015	2014
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**43,829**	23,094
Commercial	**36,006**	32,934
Industrial	**24,450**	11,500
Properties located in the People's Republic of China:		
Residential	**(2,762)**	18,881
	101,523	86,409

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

The Group's investment properties at 30 September 2015 and 30 September 2014 are stated at fair value which has been arrived at on the basis of a valuation carried out as at those dates by DTZ Debenham Tie Leung Limited, which is a firm of independent firm of professional valuers not connected to 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.

10. 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.

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**2,749**	2,140
Other receivables	**5,936**	4,090
Total trade and other receivables	**8,685**	6,230

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

	2015	2014
	HK$'000	*HK$'000*
0 - 30 days	**2,746**	1,697
31 - 60 days	**–**	113
61 - 90 days	**–**	45
Over 90 days	**3**	285
	2,749	2,140

11. 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:

	2015	2014
	HK$'000	*HK$'000*
0 - 30 days	**1,357**	1,980
31 - 60 days	**436**	36
61 - 90 days	**818**	741
Over 90 days	**46**	21
	2,657	2,778
Other payables	**15,954**	11,428
Renovation fee payable	**77**	2,497
Retention payable	**2,011**	127
Deposit received for sale of goods	**1,157**	532
	21,856	17,362

12. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised		
At 1 October 2013		
– Ordinary shares of HK$1 each	200,000,000	200,000
At 30 September 2014 and 30 September 2015	Note	Note
Issued and fully paid		
At 1 October 2013		
– Ordinary shares of HK$1 each	110,179,385	110,179
Transfer from share premium upon abolition of par value	–	35,955
At 30 September 2014 and 30 September 2015		
– Ordinary shares with no par value	110,179,385	146,134

Note: Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

DIVIDEND

The Board has recommended the payment of a final dividend of HK23 cents per share in respect of the year ended 30 September 2015 (the "Final Dividend") to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, 5 January 2016. This proposed pay-out, together with the interim dividend of HK4 cents per share paid on 7 July 2015, would give a total dividend of HK27 cents per share for the whole financial year (2014: HK27 cents). Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Tuesday, 22 December 2015 (the "Annual General Meeting"), it is expected that the final dividend would be paid to the Shareholders on Tuesday, 12 January 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on Tuesday, 22 December 2015. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members will be closed from Friday, 18 December 2015 to Tuesday, 22 December 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 December 2015.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed Final Dividend for the year ended 30 September 2015 is subject to the approval by the Shareholders at the Annual General Meeting. For determining the entitlement to the proposed Final Dividend, the Register of Members will be closed from Thursday, 31 December 2015 to Tuesday, 5 January 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 30 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

The consolidated net profit of the Group after taxation and minority interests for the year ended 30 September 2015 was HK$172.4 million, as compared to HK$178.0 million in the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK$101.5 million (2014: HK$86.4 million) on investment properties;
- An unrealized loss of HK$2.0 million (2014: HK$2.2 million) on listed securities investments; and
- Share of loss of a joint venture of HK$11.7 million (2014: profit of HK$4.1 million).

If those items and their net taxation expense of HK$2.1 million (2014: HK$3.8 million) were to be excluded, the operating net profit after taxation for the year would have been HK$86.7 million (2014: HK$93.5 million), representing a decrease of 7.3% from previous year. The decrease is mainly attributable to the exchange loss on the Group's Renminbi ("RMB") denominated monetary assets.

BUSINESS REVIEW

A. Hong Kong

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 2% more than that of last year. Rental income from the Group's residential properties showed a 1.7% decline. This reflected the slow-down of the local economy in the past year and the trend of tighter housing allowance budgets for expatriate employees, which represent a major source of tenants for the Group's residential properties. However, rental income from the Group's office and industrial properties had shown a 10% increase, which was in line with the local market trends and also was attributable to the completion of exterior refurbishment of the Group's office building on Lockhart Road.

Elephant Holdings Limited had recorded a decrease in sales revenue during the financial year under review. This was a reflection of the general weakening of retail sector of the local economy. This subsidiary continued to contribute profit to the Group.

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) – Frequent unforeseen policy changes of various government departments governing this development project continued to impede the progress of the development work. It is expected that the Certificate of Compliance for the commercial podium of Phase III of this project will be issued by the end of 2015, after which this property can then be released to the market. There has been on-going liaison with relevant government departments to obtain approval of the building plan for the proposed office tower in Phase II of this project. It is hoped that the approval will be granted in the first quarter of 2016.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing – Interior renovation work has been carried out to upgrade the Group's properties in this project, and there had been an improvement in rental revenue comparing to that of the previous financial year.

PROSPECTS

The recent stock market turmoil in Hong Kong and Mainland China, coupled with the continued slowdown in inbound visitors, has caused a downward spiral in the local consumer retail and tourism and service sectors. This have resulted in an overall slowdown of the local economy, and has contributed to the softness in demand for rental of high-end residential properties. As a result, the rental income of the Group's properties in this sector has been affected adversely. On the brighter side, rental income from the Group's office building has benefitted from the shortage of office space on Hong Kong Island.

The economic outlook for Hong Kong depends very much on the well-being of China's economy. With the impending rise in U.S. interest rates and sluggish economic growth in Hong Kong, residential property prices are set to soften. In spite of the above, and barring unforeseen circumstance, the overall rental income of the Group is anticipated to be steady in the coming year.

The Group continues to uphold its policy to upgrade its property holdings on a continuous basis to maintain their competitiveness in the rental market. Separately, the Group continues to look for new investment opportunities with a cautious attitude.

FINANCIAL REVIEW

Liquidity and financial resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Shareholders' funds as at 30 September 2015 were HK$4,385.6 million (2014: HK$4,247.4 million).

At 30 September 2015, the Group's total bank balances and cash amounted to HK$173.5 million (2014: HK$151.5 million), of which over 38% (2014: 10%) was denominated in Hong Kong dollars, and 61% (2014: 89%) was denominated in RMB. The Group's foreign exchange exposure was not significant given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

At 30 September 2015, the Group's total borrowings, which were all denominated in Hong Kong dollars, were HK$70.0 million (2014: HK$85.0 million).

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

	2015	2014
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**70.0**	15.0
After one year but within two years	**–**	70.0
	70.0	85.0

The Group's bank term loan of HK$70.0 million (that is repayable within one year after 30 September 2015 and the relevant loan agreement contains a repayment on demand clause) is classified under current liabilities. The bank loan carries interest at HIBOR plus a margin.

At 30 September 2015, the Group had undrawn banking facilities of HK$316 million which will provide adequate funding for the Group's operational and capital expenditure requirement.

Gearing and charge on assets

At 30 September 2015, the debt to equity ratio, based on the Group's total borrowings of HK$70.0 million and the Shareholders' funds of HK$4,385.6 million, was 1.6%, as compared with 2.0% on 30 September 2014.

At 30 September 2015, investment properties and properties for own use of the Group with an aggregate carrying value of HK$3,873.9 million and HK$2.8 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group had 96 employees (2014: 95). The staff remuneration including directors' emoluments and other employee expenses for the year ended 30 September 2015 amounted to approximately HK$17.1 million (2014: HK$17.8 million). There has been no change in employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

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

CORPORATE GOVERNANCE

Throughout the year ended 30 September 2015, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), save for the following:

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 September 2015, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

REVIEW OF ANNUAL RESULTS

The Company's audit committee comprises all the three Independent Non-executive Directors of the Company namely Mr. Li Kwok Sing, Aubrey (Chairman), Mdm. Lam Hsieh Lee Chin, Linda and Mr. Sit Hoi Wah, Kenneth. The Audit Committee has reviewed with the management the Group's consolidated financial statements for the year ended 30 September 2015, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control, risk management and financial reporting matters of the Group, in conjunction with the Company's external auditor.

By order of the Board
Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 11 November 2015

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 Mdm. Lam Hsieh Lee Chin, Linda, Mr. Li Kwok Sing, Aubrey and Mr. Sit Hoi Wah, Kenneth as Independent Non-Executive Directors.