POKFULAM DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 225)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2014

HIGHLIGHTS

	Six months ended		
	31.3.2014	31.3.2013	Change
	HK$ Million	*HK$ Million*	
Turnover	**68.2**	67.4	+1%
Operating profit after taxation and non-controlling interests	**56.2**	48.2	+17%
Investment properties revaluation*	**(40.3)**	(46.9)	-14%
Listed securities investments revaluation*	**(0.3)**	(0.1)	+200%
Share of results of a joint venture	**(1.1)**	1.1	N/A
Profit attributable to shareholders	**14.5**	2.3	+530%
	HK cents	*HK cents*	
Earnings per share	**13.2**	2.1	+529%
	HK cents	*HK cents*	
Interim dividend per share	**4.0**	4.0	–

* Including taxation effect

The board of directors (the "Board") announces that the unaudited consolidated results of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2014 together with the relevant comparative figures are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2014

		Six months ended	
		31.3.2014	31.3.2013
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover		**68,164**	67,429
Cost of goods sold		**(10,592)**	(9,774)
Cost of rental and other operations		**(13,647)**	(14,079)
		43,925	43,576
Other income		**25,394**	17,500
Selling and marketing expenses		**(1,076)**	(1,104)
Administrative expenses		**(5,979)**	(5,679)
Finance costs	*4*	**(852)**	(488)
Profit before changes in fair value of investments held for trading and investment properties		**61,412**	53,805
Decrease in fair value of investments held for trading		**(378)**	(143)
Decrease in fair value of investment properties	*3*	**(39,198)**	(46,345)
		21,836	7,317
Share of (loss) profit of a joint venture		**(1,109)**	1,141
Profit before tax	*5*	**20,727**	8,458
Income tax expense	*6*	**(5,735)**	(5,547)
Profit for the period		**14,992**	2,911

	NOTES	Six months ended **31.3.2014** ***HK$'000*** **(unaudited)**	 31.3.2013 *HK$'000* (unaudited)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(349)**	437
Exchange (loss) gain arising from long term advances to a joint venture		**(1,803)**	620
Other comprehensive (expense) income for the period		**(2,152)**	1,057
Total comprehensive income for the period		**12,840**	3,968
Profit for the period attributable to:			
Owners of the Company		**14,500**	2,263
Non-controlling interests		**492**	648
		14,992	2,911
Total comprehensive income for the period attributable to:			
Owners of the Company		**12,348**	3,320
Non-controlling interests		**492**	648
		12,840	3,968
		HK cents	*HK cents*
Earnings per share – basic	*8*	**13.2**	2.1
		HK cents	*HK cents*
Interim dividend per share	*7*	**4.0**	4.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2014

	NOTES	**31.3.2014** *HK$'000* **(unaudited)**	30.9.2013 *HK$'000* (audited)
Non-current Assets			
Investment properties		**3,885,404**	3,907,100
Property, plant and equipment		**5,334**	5,826
Interest in a joint venture		**15,490**	18,631
Amount due from a joint venture		**139,439**	131,949
Available-for-sale investment		**8,000**	8,000
		4,053,667	4,071,506
Current Assets			
Inventories		**5,885**	6,017
Investments held for trading		**48,155**	48,533
Trade and other receivables	*9*	**6,162**	5,438
Deposits and prepayments		**8,120**	1,605
Bank balances and cash		**126,888**	118,924
		195,210	180,517
Current Liabilities			
Trade and other payables	*10*	**17,998**	21,363
Rental and management fee deposits		**21,054**	21,732
Provision for taxation		**4,140**	9,396
Bank loans, secured		**85,000**	70,000
		128,192	122,491
Net Current Assets		**67,018**	58,026
Total Assets less Current Liabilities		**4,120,685**	4,129,532
Capital and Reserves			
Share capital		**146,134**	110,179
Reserves		**3,942,261**	3,989,006
Equity attributable to owners of the Company		**4,088,395**	4,099,185
Non-controlling interests		**9,106**	8,614
Total Equity		**4,097,501**	4,107,799
Non-current Liability			
Deferred taxation		**23,184**	21,733
		4,120,685	4,129,532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2014

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 March 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- Amendments to HKFRSs A*nnual Improvements to HKFRSs 2009 - 2011 Cycle*;
- Amendments to HKFRS 1 *Government Loans*;
- Amendments to HKFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements*, *Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*;
- HKFRS 10 *Consolidated Financial Statements*;
- HKFRS 11 *Joint Arrangements*;
- HKFRS 12 *Disclosure of Interests in Other Entities*;
- HKFRS 13 *Fair Value Measurement*;
- HKAS 19 (as revised in 2011) *Employee Benefits*;
- HKAS 27 (as revised in 2011) *Separate Financial Statements*;
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*; and
- HK(IFRIC) - Int 20 *Stripping Costs in the Production Phase of a Surface Mine*

HKFRS 11 *Joint Arrangements*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) - Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's joint arrangements, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and continue to be accounted for using the equity method up to the date of the joint arrangements are classified as assets held for sale.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 *Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)*

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM").

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not presented segment assets and liabilities.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. SEGMENT INFORMATION

The Group's operating segments based on information reported to the CODM (managing director) for the purposes 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 reportable and operating segments:

Six months ended 31 March 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	**50,116**	**17,444**	**604**	**68,164**	**–**	**68,164**
Inter-segment	**765**	**–**	**–**	**765**	**(765)**	**–**
	50,881	**17,444**	**604**	**68,929**	**(765)**	**68,164**
Segment profit	**1,749** *(Note)*	**2,041**	**226**	**4,016**	**–**	**4,016**
Other income						**24,529**
Central administrative costs						**(5,857)**
Finance costs						**(852)**
Share of loss of a joint venture						**(1,109)**
Profit before tax						**20,727**

Note: Segment profit of property investment and management division included decrease in fair value of investment properties of HK$39,198,000.

Six months ended 31 March 2013

	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	49,814	16,993	622	67,429	–	67,429
Inter-segment	765	–	–	765	(765)	–
	50,579	16,993	622	68,194	(765)	67,429
Segment profit (loss)	(6,414) *(Note)*	2,375	474	(3,565)	–	(3,565)
Other income						16,808
Central administrative costs						(5,438)
Finance costs						(488)
Share of profit of a joint venture						1,141
Profit before tax						8,458

Note: Segment loss of property investment and management division included decrease in fair value of investment properties of HK$46,345,000.

Inter-segment revenue is charged at mutually agreed terms.

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

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

3. DECREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

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

	Six months ended	
	31.3.2014	31.3.2013
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**(56,500)**	(88,373)
Commercial	**20,252**	32,840
Industrial	**(2,950)**	9,188
	(39,198)	(46,345)

4. FINANCE COSTS

The amounts represent interests on bank loans wholly repayable within five years.

5. PROFIT BEFORE TAX

	Six months ended	
	31.3.2014	31.3.2013
	HK$'000	*HK$'000*
Profit before tax has been arrived at after crediting:		
Imputed interest on amount due from a joint venture	**(2,092)**	(2,092)
Dividend income from listed securities	**(604)**	(622)
Dividend income from an available-for-sale investee company	**(23,056)**	(14,022)

6. INCOME TAX EXPENSE

	Six months ended	
	31.3.2014	31.3.2013
	HK$'000	*HK$'000*
Company and subsidiaries		
Hong Kong Profits Tax	**4,284**	4,757
Deferred tax charge	**1,451**	790
	5,735	5,547

7. DIVIDEND

In January 2014, the final dividend in respect of the financial year ended 30 September 2013 of HK21 cents (2013: HK20 cents in respect of the financial year ended 30.9.2012) per share totalling HK$23,138,000 (2013: HK$22,036,000) was paid to shareholders.

Subsequent to the end of the interim reporting period, the directors have determined that an interim dividend in respect of the financial year ending 30 September 2014 of HK4 cents (2013: HK4 cents) per share totalling HK$4,407,000 (2013: HK$4,407,000) will be paid to the shareholders of the Company whose names appear in the register of members on 27 June 2014.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the period of approximately HK$14,500,000 (six months ended 31.3.2013: approximately HK$2,263,000) and on 110,179,385 (six months ended 31.3.2013: 110,179,385) shares in issue during the period.

Diluted earnings per share is not presented as there were no potential ordinary shares in issue during both periods and as at 31 March 2014 and 31 March 2013.

9. TRADE AND OTHER RECEIVABLES

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

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

	31.3.2014	30.9.2013
	HK$'000	*HK$'000*
0 – 30 days	**2,247**	1,889
31 – 60 days	**133**	53
61 – 90 days	**39**	170
Over 90 days	**81**	55
	2,500	2,167
Other receivables	**3,662**	3,271
	6,162	5,438

10. TRADE AND OTHER PAYABLES

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

	31.3.2014	30.9.2013
	HK$'000	*HK$'000*
0 – 30 days	**2,589**	1,235
31 – 60 days	**20**	44
61 – 90 days	**175**	149
Over 90 days	**143**	607
	2,927	2,035
Other payables	**9,522**	11,095
Renovation fee payable	**1,921**	5,330
Retention payable	**2,746**	2,344
Deposits received for sale of goods	**882**	559
	17,998	21,363

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents per ordinary share in respect of the financial year ending 30 September 2014 (2013: HK4 cents per ordinary share) payable on 7 July 2014 to shareholders whose names appear on the Register of Members on 27 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 25 June 2014 to Friday, 27 June 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Profit

The unaudited consolidated net profit of the Group after taxation and minority interest for the six months ended 31 March 2014 was HK$14.5 million, as compared to HK$2.3 million in the corresponding period of the previous year.

The major non-operating items which were included in the above profit were as follows:

- A revaluation deficit of HK$39.2 million (2013: HK$46.3 million) on investment properties;
- An unrealized loss of HK$0.4 million (2013: HK$0.1 million) on listed securities investments; and
- Share of loss of a joint venture of HK$1.1 million (2013: profit of HK$1.1 million).

If the above items and their net taxation expense of HK$1.0 million (2013: HK$0.6 million) were to be excluded, the operating net profit after taxation for the period would have been HK$56.2 million (2013: HK$48.2 million), representing an increase of 16.6% from the corresponding period of previous year. The increase is mainly attributable to a higher dividend income from the Group's unlisted investment.

Business Review

A. *Hong Kong*

The major portion of the Group's operating profit for the six months ended 31 March 2014 was derived from rental income of the Group's investment properties in Hong Kong. Such rental income was similar to that of the same period last year. On the other hand, the rental revenue generated from the Group's residential properties was slightly less than that of last year, due to the trend of housing allowance reductions for expat employees, many of them were the tenants of the Group's residential properties. However, rental income from the Group's office and industrial properties had shown a moderate increase which was in line with local inflation.

Renovation for one of the Group's residential properties on Headland Road was practically completed. Minor modification on interior design is being carried out to suite market requirement. This property has been released recently in the rental market, and market reception has been favourable.

Refurbishment of the exterior wall of the Group's office building on Lockhart Road was close to completion. The adverse effect of the external work on the occupancy rate of the property has been kept to a minimal.

Elephant Holdings Limited had recorded a moderate improvement in sales revenue during the six months under review, and 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) – After much delay by the local partner of the joint-venture development company (the "JV Company") for this project, the Business License for this JV Company was renewed for ten years in March 2014. Liaison work with relevant government agencies for the granting of Certificates of Compliance for the commercial podium of Phase III of this project had been renewed after the Business License renewal. Once these Certificates are issued, the commercial podium will be released in the rental market.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing- Rental revenue had improved after minor renovation work to upgrade the Group's properties in this project.

Prospects

The implementation of strict anti-graft policy by the Chinese Central Government had dampened the consumer consumption market considerably. This, together with the continual tightness in monetary policy, had slowed down China's economic growth, which adverse effect on Hong Kong's economy is reflected in the softness in demand for rental of high-end residential properties. In view of the above, a moderate reduction in rental revenue for the Group's residential properties is anticipated in the second half of the current financial year.

FINANCIAL REVIEW

Liquidity And Financial Resources

The Group will continue to maintain its conservative approach to financial management, funding and treasury policies. Consolidated equity attributable to owners of the Company as at 31 March 2014 was HK$4,088.4 million (30.9.2013: HK$4,099.2 million).

At 31 March 2014, the Group's total bank balances and cash was HK$126.9 million (30.9.2013: HK$118.9 million) of which over 10% (30.9.2013: 22%) was denominated in Hong Kong dollars, and 89% (30.9.2013: 69%) was denominated in Renminbi. The Group's foreign exchange exposure was not significant given its large asset and operational cash flow primarily denominated in Hong Kong dollars.

At 31 March 2014, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK$85.0 million (30.9.2013: HK$70.0 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:

	31.3.2014	30.9.2013
	HK$ Million	*HK$ Million*
Repayable:		
within one year	**15.0**	–
after one year but within two years	**70.0**	–
after two years but within five years	**–**	70.0
	85.0	70.0

The Group's newly drawn bank loan of HK$15.0 million is a monthly revolving loan and classified under current liabilities. The Group's bank term loan of HK$70.0 million (that is repayable after one year but within two years after the end of reporting period but contains a repayment on demand clause) is also classified under current liabilities. Both bank loans carry interest at HIBOR plus a margin.

At 31 March 2014, the Group had undrawn banking facilities of HK$305.0 million which will provide adequate funding for the Group's operational and capital expenditure requirement.

Gearing And Charge On Assets

At 31 March 2014, the debt to equity ratio, based on the Group's total borrowings of HK$85.0 million and the consolidated equity attributable to owners of the Company of HK$4,088.4 million, was 2.1%, as compared with 1.7% on 30 September 2013.

At 31 March 2014, investment properties and properties for own use of the Group with an aggregate carrying value of HK$3,686.0 million and HK$2.9 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2014, the Group had 102 employees. The staff remuneration including directors' emoluments and other employee expenses for the six months ended 31 March 2014 amounted to approximately HK$9.2 million (2013: HK$9.3 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

CORPORATE GOVERNANCE

Throughout the six months ended 31 March 2014, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively), save for the following:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Although Mr. Wong Tat Chang, Abraham holds both the positions of Chairman 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 six months ended 31 March 2014, 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 INTERIM RESULTS

The Audit Committee has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 31 March 2014.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2014 have been reviewed by our independent auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 29 May 2014

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.