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 2015

HIGHLIGHTS

	Six months ended		
	31.3.2015	31.3.2014	Change
	HK$ Million	*HK$ Million*	
Turnover	**65.3**	68.2	-4%
Operating profit after taxation and non-controlling interests	**56.2**	56.2	–
Investment properties revaluation*	**73.6**	(40.3)	N/A
Listed securities investments revaluation*	**5.9**	(0.3)	N/A
Share of results of a joint venture	**(1.3)**	(1.1)	+18%
Profit attributable to shareholders	**134.4**	14.5	+827%
	HK cents	*HK cents*	
Earnings per share	**122.0**	13.2	+824%
	HK cents	*HK cents*	
Interim dividend per share	**4.0**	4.0	–

* Including taxation effect

The board of directors of Pokfulam Development Company Limited (the "Company" and the "Board", respectively) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2015 together with the relevant comparative figures for the corresponding period in 2014 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2015

		Six months ended	
		31.3.2015	31.3.2014
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover		**65,323**	68,164
Cost of goods sold		**(9,717)**	(10,592)
Cost of rental and other operations		**(14,098)**	(13,647)
		41,508	43,925
Other income		**27,352**	25,394
Selling and marketing expenses		**(1,024)**	(1,076)
Administrative expenses		**(6,309)**	(5,979)
Finance costs	*4*	**(1,006)**	(852)
Profit before changes in fair value of investments held for trading and investment properties		**60,521**	61,412
Increase (decrease) in fair value of investments held for trading		**7,107**	(378)
Increase (decrease) in fair value of investment properties	*3*	**74,820**	(39,198)
		142,448	21,836
Share of loss of a joint venture		**(1,250)**	(1,109)
Profit before tax	*5*	**141,198**	20,727
Income tax expense	*6*	**(6,799)**	(5,735)
Profit for the period		**134,399**	14,992

	NOTES	Six months ended 31.3.2015 HK$'000 (unaudited)	31.3.2014 HK$'000 (unaudited)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,258)**	(349)
Exchange loss arising from long term advances to a joint venture		**(405)**	(1,803)
Other comprehensive expense for the period		**(1,663)**	(2,152)
Total comprehensive income for the period		**132,736**	12,840
Profit (loss) for the period attributable to:			
Owners of the Company		**134,415**	14,500
Non-controlling interests		**(16)**	492
		134,399	14,992
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**132,752**	12,348
Non-controlling interests		**(16)**	492
		132,736	12,840
		HK cents	*HK cents*
Earnings per share – basic	*8*	**122.0**	13.2
		HK cents	*HK cents*
Interim dividend per share	*7*	**4.0**	4.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2015

	NOTES	31.3.2015 HK$'000 (unaudited)	30.9.2014 HK$'000 (audited)
Non-current Assets			
Investment properties		**4,102,143**	4,018,631
Property, plant and equipment		**4,766**	5,130
Interest in a joint venture		**22,253**	25,078
Amount due from a joint venture		**144,788**	138,701
Available-for-sale investment		**8,000**	8,000
		4,281,950	4,195,540
Current Assets			
Inventories		**7,727**	7,384
Investments held for trading		**53,552**	46,445
Trade and other receivables	*9*	**6,900**	6,230
Deposits and prepayments		**6,958**	6,517
Bank balances and cash		**151,429**	151,508
		226,566	218,084
Current Liabilities			
Trade and other payables	*10*	**18,257**	17,362
Rental and management fee deposits		**23,140**	21,067
Provision for taxation		**5,203**	8,455
Bank loans, secured		**70,000**	85,000
		116,600	131,884
Net Current Assets		**109,966**	86,200
Total Assets less Current Liabilities		**4,391,916**	4,281,740
Capital and Reserves			
Share capital		**146,134**	146,134
Reserves		**4,208,660**	4,101,249
Equity attributable to owners of the Company		**4,354,794**	4,247,383
Non-controlling interests		**7,903**	7,919
Total Equity		**4,362,697**	4,255,302
Non-current Liability			
Deferred taxation		**29,219**	26,438
		4,391,916	4,281,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2015

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and 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, as appropriate. Historical cost is generally based on the fair value of consideration for goods and services.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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 new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements 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 chief operating decision maker (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 2015

	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	**49,373**	**15,306**	**644**	**65,323**	**–**	**65,323**
Inter-segment	**825**	**–**	**–**	**825**	**(825)**	**–**
	50,198	**15,306**	**644**	**66,148**	**(825)**	**65,323**
Segment profit	**113,761** *(Note)*	**778**	**7,770**	**122,309**	**–**	**122,309**
Other income						**26,919**
Central administrative costs						**(5,774)**
Finance costs						**(1,006)**
Share of loss of a joint venture						**(1,250)**
Profit before tax						**141,198**

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK$74,820,000.

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.

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), central administrative costs, finance costs, share of loss 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 reported to the chief operating decision maker in the resource allocation and assessment of performance.

3. INCREASE (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	
	31.3.2015	31.3.2014
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**36,389**	(56,500)
Commercial	**11,781**	20,252
Industrial	**26,650**	(2,950)
	74,820	(39,198)

4. FINANCE COSTS

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

5. PROFIT BEFORE TAX

	Six months ended	
	31.3.2015	31.3.2014
	HK$'000	*HK$'000*
Profit before tax has been arrived at after crediting:		
Imputed interest on amount due from a joint venture	**(2,295)**	(2,092)
Dividend income from listed securities	**(644)**	(604)
Dividend income from an available-for-sale investee company	**(23,732)**	(23,056)

6. INCOME TAX EXPENSE

	Six months ended	
	31.3.2015	31.3.2014
	HK$'000	*HK$'000*
Company and subsidiaries		
Hong Kong Profits Tax	**4,018**	4,284
Deferred tax charge	**2,781**	1,451
	6,799	5,735

7. DIVIDEND

In January 2015, the final dividend in respect of the financial year ended 30 September 2014 of HK23 cents (2014: HK21 cents in respect of the financial year ended 30.9.2013) per share totalling HK$25,341,000 (2014: HK$23,138,000) was paid to shareholders of the Company.

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 2015 of HK4 cents (2014: HK4 cents) per share totalling HK$4,407,000 (2014: HK$4,407,000) will be paid to the shareholders of the Company whose names appear in the register of members on 26 June 2015.

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$134,415,000 (six months ended 31.3.2014: approximately HK$14,500,000) and on 110,179,385 (six months ended 31.3.2014: 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 2015 and 31 March 2014.

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:

	31.3.2015	30.9.2014
	HK$'000	*HK$'000*
0 – 30 days	**1,402**	1,697
31 – 60 days	**115**	113
61 – 90 days	**94**	45
Over 90 days	**197**	285
	1,808	2,140
Other receivables	**5,092**	4,090
	6,900	6,230

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:

	31.3.2015	30.9.2014
	HK$'000	*HK$'000*
0 – 30 days	**2,241**	1,980
31 – 60 days	**1,142**	36
61 – 90 days	**32**	741
Over 90 days	**150**	21
	3,565	2,778
Other payables	**10,728**	11,428
Renovation fee payable	**1,251**	2,497
Retention payable	**1,607**	127
Deposits received for sale of goods	**1,106**	532
	18,257	17,362

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents per ordinary share in respect of the first six months of the financial year ending 30 September 2015 (2014: HK4 cents per ordinary share) payable on 7 July 2015 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 26 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from Wednesday, 24 June 2015 to Friday, 26 June 2015, 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, 23 June 2015.

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 2015 was HK$134.4 million, as compared to HK$14.5 million in the corresponding period of the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK$74.8 million (2014: deficit of HK$39.2 million) on investment properties;
- An unrealized gain of HK$7.1 million (2014: loss of HK$0.4 million) on listed securities investments; and
- Share of loss of a joint venture of HK$1.3 million (2014: HK$1.1 million).

If the above items and their net taxation expense of HK$2.4 million (2014: HK$1.0 million) were to be excluded, the operating net profit after taxation for the period would have been HK$56.2 million (2014: HK$56.2 million).

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% less than that of the same period last year. Rental income from the Group's residential properties showed a 8% decline. This reflected the slow-down of the local economy in the period under review and the trend of housing allowance reductions for expatriate employees, many of whom were the tenants and potential tenants of the Group's residential properties. However, rental income from the Group's office and industrial properties had shown a 11% increase, which was in line with local segment 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 moderate decline in sales revenue during the six months under review, which reflected the weakening of the retail sector of the local economy partly attributable to the lingering disturbance effect caused by the "Occupy Central Movement".

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 hamper the progress of the development work. Granting of Certificates of Property Ownership for the commercial podium of Phase III and approval of the building plan for the proposed office tower in Phase II of this project have been further delayed. There has been on-going liaison with these government departments to obtain the necessary Certificates and approvals. Hopefully, the Ownership Certificate can be obtained in the second half of this year and the commercial podium can then be released to the market.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing – The rental revenue from this project is similar to that of the same period last year.

Prospects

Hong Kong had experienced an economic slow-down in the six-month period under review, as evidenced in the relatively low turnover in the stock market and decline in business volume in the consumer retail sector. The above has contributed to the softness in demand for rental of high-end residential properties, which has affected adversely the rental income of the Group. However, the influx of capital from China after the Easter Holiday in April following implementation of the Shanghai-Hong Kong Stock Connect has boosted investment activities in the Hong Kong stock market. This change in China's financial/monetary policy is likely to alter Hong Kong's economic outlook. Hopefully, this would create stronger demand for rental of high-end residential properties, from which the Group's rental income would benefit. In the meantime, the overall rental income of the Group in the second half of the financial year is anticipated to be similar to that of the period under review.

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 2015 was HK$4,354.8 million (30.9.2014: HK$4,247.4 million).

At 31 March 2015, the Group's total bank balances and cash was HK$151.4 million (30.9.2014: HK$151.5 million) of which over 26% (30.9.2014: 10%) was denominated in Hong Kong dollars, and 73% (30.9.2014: 89%) 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. For the fluctuation of exchange rate of Renminbi, the Management will continue to monitor foreign exchange exposure of Renminbi and will take prudence measures to minimize the currency risk.

At 31 March 2015, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK$70.0 million (30.9.2014: 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:

	31.3.2015	30.9.2014
	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 the end of reporting period and contains a repayment on demand clause) is classified under current liabilities. The bank loan carries interest at HIBOR plus a margin.

At 31 March 2015, the Group had undrawn banking facilities of HK$315.7 million which will provide adequate funding for the Group's operational and capital expenditure requirement.

Gearing And Charge On Assets

At 31 March 2015, the debt to equity ratio, based on the Group's total borrowing of HK$70.0 million and the consolidated equity attributable to owners of the Company of HK$4,354.8 million, was 1.6%, as compared with 2.0% on 30 September 2014.

At 31 March 2015, investment properties and properties for own use of the Group with an aggregate carrying value of HK$3,839.5 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

At 31 March 2015, the Group had 91 employees (2014: 102). The staff remuneration including directors' emoluments and other employee expenses for the six months ended 31 March 2015 amounted to approximately HK$9.1 million (2014: HK$9.2 million). There has been no change in the employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

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

CORPORATE GOVERNANCE

Throughout the six months ended 31 March 2015, 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") 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 (the "INEDs"), and corporate governance structure ensure effective oversight of management.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 March 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 INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises all the three INEDs. The Audit Committee has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 31 March 2015.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2015 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, 18 May 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 INEDs.