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 2016

HIGHLIGHTS

	Six months ended		
	31.3.2016	31.3.2015	Change
	HK$ Million	*HK$ Million*	
Turnover	**66.3**	65.3	+2%
Operating profit after taxation and non-controlling interests	**54.7**	56.2	-3%
Investment properties revaluation*	**48.9**	73.6	-34%
Listed securities investments revaluation*	**0.1**	5.9	-98%
Share of results of a joint venture	**0.1**	(1.3)	N/A
Profit attributable to owners of the Company	**103.8**	134.4	-23%
	HK cents	*HK cents*	
Earnings per share	**94.2**	122.0	-23%
	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 2016 together with the relevant comparative figures for the corresponding period in 2015 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2016

		Six months ended	
		31.3.2016	31.3.2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**66,294**	65,323
Cost of goods sold		**(6,838)**	(9,717)
Cost of rental and other operations		**(14,501)**	(14,098)
		44,955	41,508
Other income		**27,565**	27,352
Other expense		**(4,828)**	–
Selling and marketing expenses		**(718)**	(1,024)
Administrative expenses		**(6,554)**	(6,309)
Finance costs	*4*	**(1,045)**	(1,006)
Profit before changes in fair value of investments held for trading and investment properties		**59,375**	60,521
Increase in fair value of investments held for trading		**100**	7,107
Increase in fair value of investment properties	*3*	**51,218**	74,820
		110,693	142,448
Share of profit (loss) of a joint venture		**50**	(1,250)
Profit before tax	*5*	**110,743**	141,198
Income tax expense	*6*	**(7,383)**	(6,799)
Profit for the period		**103,360**	134,399

	NOTES	Six months ended **31.3.2016** ***HK$'000*** **(unaudited)**	 31.3.2015 *HK$'000* (unaudited)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(924)**	(1,258)
Exchange loss arising from long term advances to a joint venture		**(716)**	(405)
Other comprehensive expense for the period		**(1,640)**	(1,663)
Total comprehensive income for the period		**101,720**	132,736
Profit (loss) for the period attributable to:			
Owners of the Company		**103,843**	134,415
Non-controlling interests		**(483)**	(16)
		103,360	134,399
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**102,203**	132,752
Non-controlling interests		**(483)**	(16)
		101,720	132,736
		HK cents	*HK cents*
Earnings per share – basic	*8*	**94.2**	122.0
		HK cents	*HK cents*
Interim dividend per share	*7*	**4.0**	4.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	NOTES	**31.3.2016** *HK$'000* **(unaudited)**	30.9.2015 *HK$'000* (audited)
Non-current Assets			
Investment properties		**4,202,880**	4,134,199
Property, plant and equipment		**4,626**	4,606
Interest in a joint venture	*9*	**12,398**	13,834
Amount due from a joint venture		**150,138**	135,007
Deposits and prepayments		**–**	1,362
Available-for-sale investment		**8,000**	8,000
		4,378,042	4,297,008
Current Assets			
Inventories		**12,593**	7,575
Investments held for trading		**44,595**	44,495
Loan to a joint venture		**11,429**	10,739
Trade and other receivables	*10*	**9,116**	8,685
Deposits and prepayments		**6,348**	5,895
Bank balances and cash		**165,328**	173,533
		249,409	250,922
Current Liabilities			
Trade and other payables	*11*	**24,591**	21,856
Rental and management fee deposits		**24,612**	23,998
Provision for taxation		**6,060**	9,189
Bank loan, secured		**70,000**	70,000
		125,263	125,043
Net Current Assets		**124,146**	125,879
Total Assets less Current Liabilities		**4,502,188**	4,422,887
Capital and Reserves			
Share capital		**146,134**	146,134
Reserves		**4,316,315**	4,239,453
Equity attributable to owners of the Company		**4,462,449**	4,385,587
Non-controlling interests		**7,531**	8,014
Total Equity		**4,469,980**	4,393,601
Non-current Liability			
Deferred taxation		**32,208**	29,286
		4,502,188	4,422,887

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

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 (the "Listing Rules").

The unaudited condensed financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2015.

The financial information relating to the year ended 30 September 2015 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 30 September 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

The condensed consolidated 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 March 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2015.

Except for those disclosed in the Group's annual financial statements for the year ended 30 September 2015, the directors of the Company (the "Directors") anticipate that the application of the new and revised Hong Kong Financial Reporting Standards will have no material impact on the results and the financial position of the Group.

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 2016

	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	**54,887**	**10,763**	**644**	**66,294**	**–**	**66,294**
Inter-segment	**809**	**145**	**–**	**954**	**(954)**	**–**
	55,696	**10,908**	**644**	**67,248**	**(954)**	**66,294**
Segment profit (loss)	**95,265** *(Note)*	**(324)**	**763**	**95,704**	**–**	**95,704**
Other income						**27,213**
Other expense						**(4,828)**
Central administrative costs						**(6,351)**
Finance costs						**(1,045)**
Share of profit of a joint venture						**50**
Profit before tax						**110,743**

Note: Segment profit of property investment and management division included increase in fair value of investment properties of HK$51,218,000.

Six months ended 31 March 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	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.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit (loss) represents the profit (loss) earned (incurred) 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 profit (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 IN FAIR VALUE OF INVESTMENT PROPERTIES

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

	Six months ended	
	31.3.2016	31.3.2015
	HK$'000	*HK$'000*
Properties located in Hong Kong:		
Residential	**41,750**	36,389
Commercial	**5,287**	11,781
Industrial	**–**	26,650
Properties located in the People's Republic of China (the "PRC"):		
Residential	**4,181**	–
	51,218	74,820

4. FINANCE COSTS

The amounts represent interests on a bank loan.

5. PROFIT BEFORE TAX

	Six months ended	
	31.3.2016	31.3.2015
	HK$'000	*HK$'000*
Profit before tax has been arrived at after crediting:		
Imputed interest on amount due from a joint venture	**(2,302)**	(2,295)
Dividend income from listed securities	**(644)**	(644)
Dividend income from an available-for-sale investee company	**(22,331)**	(23,732)

6. INCOME TAX EXPENSE

	Six months ended	
	31.3.2016	31.3.2015
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**4,461**	4,018
Deferred tax charge	**2,922**	2,781
	7,383	6,799

7. DIVIDEND

In January 2016, the final dividend in respect of the financial year ended 30 September 2015 of HK23 cents (2015: HK23 cents in respect of the financial year ended 30.9.2014) per share totalling HK$25,341,000 (2015: HK$25,341,000) was paid to the shareholders of the Company (the "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 2016 of HK4 cents (2015: HK4 cents) per share totalling HK$4,407,000 (2015: HK$4,407,000) will be paid to the Shareholders whose names appear on the register of members on 24 June 2016.

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$103,843,000 (six months ended 31.3.2015: approximately HK$134,415,000) and on 110,179,385 (six months ended 31.3.2015: 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 2016 and 31 March 2015.

9. INTEREST IN A JOINT VENTURE

On 4 February 2016, the Group entered into an agreement and the supplemental agreement (the "Amended and Supplemented Agreement") with an independent entity (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 3,330 ordinary shares of Silver Gain Development Limited (銀利發展有限公司), a company incorporated in Hong Kong with limited liability developing Silver Gain Plaza in Guangzhou, the PRC and a company in which the Group indirectly owns one-third of the issued shares (the "Joint Venture"), and to purchase and take assignment of the shareholder's loan owing by the Joint Venture to the Group, at the aggregate consideration of RMB100,000,000 (equivalent to approximately HK$118,900,000) in accordance with the terms and conditions of the Amended and Supplemented Agreement.

On 19 February 2016 and 15 March 2016, the Group and the Purchaser entered into the second supplemental agreement and the third supplemental agreement respectively, pursuant to which the parties agreed to make certain amendments to the Amended and Supplemented Agreement (the "Further Amended and Supplemented Agreement") including the time of fulfilment of certain conditions.

The Further Amended and Supplemented Agreement was automatically terminated on 30 April 2016 as the Purchaser failed to provide the Finance Amount (as defined in the Company's announcement dated 15 March 2016) as stipulated in the Further Amended and Supplemented Agreement.

10. 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:

	31.3.2016	30.9.2015
	HK$'000	*HK$'000*
0-30 days	**2,030**	2,746
31-60 days	**213**	–
61-90 days	**104**	–
Over 90 days	**464**	3
	2,811	2,749
Other receivables	**6,305**	5,936
	9,116	8,685

11. 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:

	31.3.2016	30.9.2015
	HK$'000	*HK$'000*
0-30 days	**1,880**	1,357
31-60 days	**21**	436
61-90 days	**60**	818
Over 90 days	**569**	46
	2,530	2,657
Other payables	**15,689**	16,031
Retention payable	**1,894**	2,011
Deposits received for sale of goods	**4,478**	1,157
	24,591	21,856

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 2016 (2015: HK4 cents per ordinary share) payable on 4 July 2016 to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on 24 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to the above interim dividend, the Register of Members will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016, 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, 21 June 2016.

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 2016 was HK$103.8 million, as compared to HK$134.4 million for the corresponding period of the previous year. Such profit took into account the following major non-operating items:

- A revaluation surplus of HK$51.2 million (2015: HK$74.8 million) on investment properties;

- An unrealized gain of HK$0.1 million (2015: HK$7.1 million) on listed securities investments; and

- Share of profit of a joint venture of HK$0.1 million (2015: loss of HK$1.3 million).

If the above items and their net taxation expense of HK$2.3 million (2015: HK$2.4 million) were excluded, the operating net profit after taxation for the period would have been HK$54.7 million (2015: 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 12% more than that of the same period last year.

Rental income from the Group's residential properties showed a 16% increase. The increase was mainly attributable to the higher rental income generated from the leasing of units in the newly renovated property at No.3 Headland Road. Rental income from the Group's office and industrial properties had shown a 3.5% increase, which was in line with local segment trends and was also attributable to the limited increase in supply of office space in the Wanchai area in which the Group's office building is located.

Elephant Holdings Limited had recorded a 29% decline in sales revenue during the six months under review, which reflected the weakened state of the local retail sector.

B. *Property Projects in Mainland China*

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) – Frequent unforeseen policy changes by various government departments relevant to this development project continued to impede the progress of the development. Additional requirements had been imposed by relevant Government Authorities for granting of the Certificate of Compliance for the commercial podium of Phase III ("Certificate of Compliance") of this project. These requirements are being fulfilled gradually and it is expected the Certificate of Compliance will be issued in the coming three months. After which, this property can then be released to the market.

In early February 2016, the Group has entered an agreement with an independent third party ("Purchaser"), pursuant to which, the Group agreed to conditionally sell and the Purchaser agreed to conditionally purchase, our share of the entire equity interest in this Project. However, as the Purchaser failed to provide the Finance Amount to an escrow account of our PRC Company on 30 April 2016, the agreement was terminated on 30 April 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 reporting period.

Prospects

The overall economic slow-down in China has continued to hamper the local economy, as evidenced by the downturn of the stock market and decline in business volume in the service and consumer retail sectors. This sluggish economic backdrop has been the main factor leading to drop in property price in the residential sector in the past couple of months and a softening in demand for rental of high-end residential properties. Whilst subdued market conditions are a negative influence on the income generated by the Group's properties in this sector, the overall rental income of the Group in the second half of the financial year is anticipated remain steady, barring unforeseen circumstance.

Important events affecting the Group since the end of the reporting period

Save as disclosed in note 9, there are no important events affecting the Group which have occurred since the end of the reporting period.

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 2016 was HK$4,462.4 million (30.9.2015: HK$4,385.6 million).

At 31 March 2016, the Group's total bank balances and cash was HK$165.3 million (30.9.2015: HK$173.5 million), of which over 91% (30.9.2015: 38%) was denominated in Hong Kong dollars, and 8% (30.9.2015: 61%) 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 2016, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK$70.0 million (30.9.2015: 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:

	31.3.2016	30.9.2015
	HK$ Million	*HK$ Million*
Repayable:		
within one year	**70.0**	70.0

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 2016, the Group had undrawn banking facilities of HK$320 million which will provide adequate funding for the Group's operational and capital expenditure requirements.

Gearing And Charge On Assets

At 31 March 2016, 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$4,462.4 million, was 1.6%, as compared with 1.6% on 30 September 2015.

At 31 March 2016, investment properties and properties for own use of the Group with an aggregate carrying value of HK$3,838.4 million and HK$2.7 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2016, the Group had 101 employees (2015: 96). The staff remuneration including Directors' emoluments and other employee expenses for the six months ended 31 March 2016 amounted to approximately HK$10.1 million (2015: HK$9.1 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 2016, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules save for the following:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Although Mr. Wong Tat Chang, Abraham holds both the positions of Chairman 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 2016, 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 2016.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2016 have been reviewed by our independent auditor, 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 HKICPA.

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

Hong Kong, 30 May 2016

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.