



POKFULAM DEVELOPMENT COMPANY LIMITED
博富臨置業有限公司

Stock Code : 225



INTERIM REPORT
2014/2015

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mdm. Lam Hsieh Lee Chin, Linda
Li Kwok Sing, Aubrey
Sit Hoi Wah, Kenneth

BOARD COMMITTEES

Audit Committee

Li Kwok Sing, Aubrey (*Chairman*)
Mdm. Lam Hsieh Lee Chin, Linda
Sit Hoi Wah, Kenneth

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Wong Tat Chang, Abraham
Hui Sui Yuen

COMPANY SECRETARY

Hui Sui Yuen

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Bank of Communications

SOLICITORS

Mayer Brown JSM
Huen & Partners Solicitors

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

<http://www.pokfulam.com.hk>

SHARE INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

225

Board Lot

2,000 shares

CHAIRMAN'S STATEMENT

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).

INTERIM DIVIDEND

The Board of Directors 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 whose names appear on the Register of Members on 26 June 2015.

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".

CHAIRMAN'S STATEMENT

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.

Wong Tat Chang, Abraham
Chairman and Managing Director

Hong Kong, 18 May 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
POKFULAM DEVELOPMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 16, which comprise the condensed consolidated statement of financial position as of 31 March 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 May 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	NOTES	Six months ended	
		31.3.2015	31.3.2014
		HK\$'000 (unaudited)	HK\$'000 (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	9	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
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

		31.3.2015	30.9.2014
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Investment properties	9	4,102,143	4,018,631
Property, plant and equipment	9	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	10	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	11	18,257	17,362
Rental and management fee deposits		23,140	21,067
Provision for taxation		5,203	8,455
Bank loans, secured	12	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Attributable to owners of the Company					Non-	
	Share	Share	Translation	Retained	Total	controlling	Total
	capital	premium	reserve	profits		interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2013 (audited)	110,179	35,955	17,631	3,935,420	4,099,185	8,614	4,107,799
Profit for the period	–	–	–	14,500	14,500	492	14,992
Exchange difference arising on translation of foreign operations	–	–	(349)	–	(349)	–	(349)
Exchange loss arising from long term advances to a joint venture	–	–	(1,803)	–	(1,803)	–	(1,803)
Total comprehensive income (expense) for the period	–	–	(2,152)	14,500	12,348	492	12,840
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	35,955	(35,955)	–	–	–	–	–
Dividend paid	–	–	–	(23,138)	(23,138)	–	(23,138)
At 31 March 2014 (unaudited)	146,134	–	15,479	3,926,782	4,088,395	9,106	4,097,501
At 1 October 2014 (audited)	146,134	–	15,373	4,085,876	4,247,383	7,919	4,255,302
Profit (loss) for the period	–	–	–	134,415	134,415	(16)	134,399
Exchange difference arising on translation of foreign operations	–	–	(1,258)	–	(1,258)	–	(1,258)
Exchange loss arising from long term advances to a joint venture	–	–	(405)	–	(405)	–	(405)
Total comprehensive income (expense) for the period	–	–	(1,663)	134,415	132,752	(16)	132,736
Dividend paid	–	–	–	(25,341)	(25,341)	–	(25,341)
At 31 March 2015 (unaudited)	146,134	–	13,710	4,194,950	4,354,794	7,903	4,362,697

Note: The Company has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Six months ended	
	31.3.2015	31.3.2014
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash from operating activities	30,017	20,400
Investing activities		
Advance to a joint venture	(3,792)	(5,398)
Dividend income from an available-for-sale investee company	23,732	23,056
Addition of investment properties	(8,458)	(20,911)
Other investing cash flows	(122)	(73)
Net cash from (used in) investing activities	11,360	(3,326)
Financing activities		
New bank loan raised	20,000	15,000
Repayment of bank loans	(35,000)	–
Dividend paid	(25,341)	(23,138)
Interest paid	(1,027)	(852)
Net cash used in financing activities	(41,368)	(8,990)
Increase in cash and cash equivalents	9	8,084
Cash and cash equivalents at beginning of the period	151,508	118,924
Effect of foreign exchange rates changes	(88)	(120)
Cash and cash equivalents at end of the period, represented by bank balances and cash	151,429	126,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property investment and management, trading of visual and sound equipment, securities investment and investment holding.

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

3. 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	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 March 2014

	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	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.

4. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

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 charging (crediting):		
Depreciation on property, plant and equipment	565	562
(Gain) loss on disposal of property, plant and equipment	(79)	3
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties at 31 March 2015 were carried at their fair values as estimated by the directors with reference to recent sale transactions of similar properties. The resulting gain on fair value change of HK\$74,820,000 (six months ended 31.3.2014: loss on fair value change of HK\$39,198,000) has been recognised directly in profit or loss for the period.

During the six months ended 31 March 2015, the Group had additions to investment properties and property, plant and equipment at a total cost of HK\$8,692,000 and HK\$210,000 respectively (six months ended 31.3.2014: HK\$17,502,000 and HK\$73,000 respectively).

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)

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:

	31.3.2015	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

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:

	31.3.2015	30.9.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

12. SECURED BANK LOANS

During the six months ended 31 March 2015, the Group raised a new bank loan of HK\$20,000,000 (six months ended 31.3.2014: HK\$15,000,000).

During the six months ended 31 March 2015, the Group repaid the bank loans of HK\$35,000,000.

13. COMMITMENTS

At the end of the reporting period,

- (a) the Group had outstanding commitments in respect of property renovation costs of HK\$10,170,000 (at 30.9.2014: HK\$5,394,000) contracted for but not provided in the condensed consolidated financial statements; and
- (b) the Group had share of the outstanding commitments of its joint venture of HK\$6,304,000 (at 30.9.2014: HK\$1,189,000) in respect of the cost of development of commercial/residential complex contracted for but not provided in its condensed consolidated financial statements.

14. PLEDGE OF ASSETS

At the end of the reporting period, investment properties, leasehold land and building of the Group with carrying amount of approximately HK\$3,839,461,000 (at 30.9.2014: HK\$3,782,600,000) and HK\$2,822,000 (at 30.9.2014: HK\$2,877,000) respectively were pledged to banks to secure the general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2015

15. RELATED PARTY TRANSACTIONS

On 10 April 2012, the Company entered into a letter of award with a contractor (the "Contractor") to engage it to perform certain renovation works for a three-storey residential building owned by the Company situated at No. 3, Headland Road, Hong Kong at a contract sum of HK\$28,608,000.

During the six months ended 31 March 2015 and 31 March 2014, all the three executive directors held interests in the Company and the Contractor. Therefore, the Contractor is a related company of the Group.

During the six months ended 31 March 2015, HK\$2,183,000 (six months ended 31.3.2014: HK\$9,589,000) was paid or payable to the Contractor and the amounts were included in the addition to the investment properties of the Group.

As at 31 March 2015, HK\$715,000 (30.9.2014: HK\$1,430,000) retention payable to the Contractor are included in the Group's trade and other payables.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Valuation technique(s) and key input(s)
	31.3.2015	30.9.2014	
	HK\$'000	HK\$'000	
<i>Fair value hierarchy: Level 1</i>			
Listed equity securities classified as investments held for trading	53,552	46,445	Quoted bid prices in an active market

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

GENERAL INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

Pokfulam Development Company Limited and its subsidiaries (the "Group" and the "Company", respectively) 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
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
within one year	70.0	15.0
after one year but within two years	–	70.0
	<hr/>	<hr/>
	70.0	85.0
	<hr/>	<hr/>

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 borrowings 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.

Commitments

Particulars of the Group's commitments are set out in note 13 to the condensed interim consolidated financial statements.

GENERAL INFORMATION

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 AND OTHER INFORMATION

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" 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 (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.

GENERAL INFORMATION

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in the securities of the Company by the directors of the Company (the "Directors"). Following specific enquiries made with all Directors by the Company and all of them confirmed that they have complied with the required standard set out in the Model Code for the period under review.

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.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 March 2015, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

(a) *Long position interests in the Company*

Name of Directors/ chief executive	Number of ordinary shares held				Approximate percentage of interest in the issued shares of the Company
	Personal interests	Family interests <i>(note 1)</i>	Other interests <i>(note 2)</i>	Total	
Wong Tat Chang, Abraham	450,800	–	56,806,234	57,257,034	52.0%
Wong Tat Kee, David	–	–	56,806,234	56,806,234	51.6%
Wong Tat Sum, Samuel	556,000	28,800	56,806,234	57,391,034	52.1%
Lam Hsieh Lee Chin, Linda	104,420	–	–	104,420	0.1%

GENERAL INFORMATION

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

Name of Directors/ chief executive	Number of ordinary shares held			Approximate percentage of interest in the issued shares of EHL
	Personal interests	Other interests	Total	
		(note 2)		
Wong Tat Chang, Abraham	10	4,784	4,794	47.9%
Wong Tat Kee, David	–	4,784	4,784	47.8%
Wong Tat Sum, Samuel	–	4,784	4,784	47.8%

Notes:

- (1) Mr. Wong Tat Sum, Samuel is deemed to be interested in 28,800 ordinary shares of the Company, being the interest held beneficially by his wife.
- (2) Shares included in other interests are beneficially owned by the discretionary trusts, of which Messrs. Wong Tat Chang, Abraham, Wong Tat Kee, David and Wong Tat Sum, Samuel are beneficiaries and the number of shares in each of the above companies are duplicated for each of these three Directors.

Save as disclosed above, at 31 March 2015, none of the Directors or chief executives, nor their associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION

Substantial shareholders' interests and short positions in the shares and underlying shares

As at 31 March 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors or chief executives, the following shareholder had notified the Company of its relevant interests in the issued shares of the Company:

Name of Shareholder	Number of ordinary shares held in the Company	Approximate percentage of interest in the issued shares of the Company
Madison Profits Limited	22,827,632 (Note)	20.7%

Note: These 22,827,632 shares held by Madison Profits Limited were taken to be the corporate interests of Mdm. Kung, Nina (deceased) pursuant to the SFO. Mr. Chan Wai Tong, Christopher, Mr. Jong Yat Kit and Mr. Wong Tak Wai, as joint and several administrators of the estate of Mdm. Kung, Nina (deceased), are deemed to have interest in the said 22,827,632 shares in the capacity of trustees.

Save as disclosed above, the Company had not been notified by any person or entity, not being a Director, of interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register pursuant to section 336 of the SFO.

GENERAL INFORMATION

Changes of Directors' or chief executives' information under Rule 13.51B(1) of the Listing Rules

Below are the changes of Directors' or chief executives' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board determined the annual remuneration of the chairman and other members of each of the Board and the Board committees for the year ending 30 September 2015 as follows:

	Remuneration for chairman HK\$	Remuneration for other members HK\$
Board	100,000	70,000
Board committee:		
Audit committee	75,000	20,000
Remuneration committee	50,000	20,000
Nomination committee	Nil	Nil

With effect from 1 January 2015, the monthly salary (excluding the director's fee and the remuneration of the Board committees) of Mr. Wong Tat Chang, Abraham, the Chairman of the Board and Managing Director, has been increased from HK\$157,293 to HK\$163,538.

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.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

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 and the interim report 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 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 Hong Kong Institute of Certified Public Accountants, whose review report is set out on page 5 of this report.