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POKFULAM DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 225)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2023

The board of directors of Pokfulam Development Company Limited (the “**Company**”, the “**Directors**” and the “**Board**”, respectively) is pleased to announce the unaudited interim financial results of the Company and its subsidiaries for the six months ended 31 March 2023. This announcement, containing the full text of the 2022/2023 interim report (“**2022/2023 Interim Report**”) of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange in relation to the information to accompany the preliminary announcement of interim results. The printed version of the 2022/2023 Interim Report will be delivered to the shareholders of the Company, and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.pokfulam.com.hk on or before 8 June 2023.

By Order of the Board

Pokfulam Development Company Limited

Wong Tat Chang, Abraham

Chairman, Managing Director and Executive Director

Hong Kong, 30 May 2023

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 Mr. Li Kwok Sing, Aubrey, Mr. Sit Hoi Wah, Kenneth and Mr. Seto Gin Chung, John as Independent Non-Executive Directors.



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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

Li Kwok Sing, Aubrey
Sit Hoi Wah, Kenneth
Seto Gin Chung, John

BOARD COMMITTEES

Audit Committee

Li Kwok Sing, Aubrey *(Chairman)*
Sit Hoi Wah, Kenneth
Seto Gin Chung, John

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
The Hongkong and Shanghai Banking
Corporation Limited
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd.
Industrial and Commercial Bank
of China (Asia) Limited

SOLICITORS

Howse Williams
Tony Kan & Co.
Huen & Partners, Solicitors

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

WEBSITE

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

SHARE INFORMATION

Place of Listing

Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code

225

Board Lot

2,000 shares

CHAIRMAN'S STATEMENT

INTERIM RESULTS

The unaudited consolidated net profit of Pokfulam Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group") after taxation and non-controlling interests for the six months ended 31 March 2023 (the "Period") was approximately HK\$17.3 million (2022: HK\$12.6 million).

Such results took into account the following major non-operating items:

- A revaluation deficit of approximately HK\$2.3 million (2022: HK\$17.5 million) on investment properties;
- Net revaluation loss of approximately HK\$5.9 million (2022: HK\$5.9 million) on securities investments and equity instruments;
- Share of losses of joint ventures of approximately HK\$3.0 million (2022: HK\$1.9 million);
- Exchange gain on amount due from a joint venture of approximately HK\$0.5 million (2022: HK\$0.8 million); and
- Net provision for impairment losses in respect of expected credit losses on financial assets of approximately HK\$6.1 million (2022: HK\$0.6 million);

If the above items and their net taxation expense of approximately HK\$0.5 million (2022: HK\$1.8 million) were excluded, the unaudited consolidated operating net profit after taxation and non-controlling interests of the Group for the Period would have been approximately HK\$34.6 million (2022: HK\$39.5 million).

INTERIM DIVIDEND

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved to declare an interim dividend of HK4 cents per ordinary share of the Company (the "Share") in respect of the first six months of the financial year ending 30 September 2023 (the "FY2023" and the "Interim Dividend, respectively") (2022: HK4 cents per Share) payable on Tuesday, 4 July 2023 to the Company's shareholders (the "Shareholders") whose names will appear on the register of members of the Company (the "Register of Members") on Monday, 26 June 2023.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

A. Hong Kong

Rental business –

Rental income from investment properties in Hong Kong, from which the major portion of the Group's operating profit was derived, was 0.7% higher than that of the same period last year. Rental income from the Group's residential properties showed a decrease of 7.4%. The reduction was mainly attributable to the decrease in number of expatriates in Hong Kong who were discouraged by the previous stringent quarantine measures imposed by the Government during the novel coronavirus disease 2019 ("COVID-19") lockdown earlier in the year. Expatriates constitute a good portion of the tenants for our residential property. On the other hand, rental income from the Group's commercial and industrial properties increased by 20.6%. The increase was attributable to the inclusion of rental income from the industrial property in Mongkok for the whole period under review.

The China Paint Building ("CP"), a 9-storey industrial building located in Mongkok was acquired by the Group in February 2022. The acquired property has a total covered gross floor area of approximately 59,900 sq. ft. With the exception of the 1/F, all floors and the flat roof of the building have been leased back to the vendor. This investment is for long term purpose. During the period under review, the Group entered into construction contracts with contractors to perform a range of renovation works in order to comply with the Fire Safety Directions issued by the Hong Kong Buildings Department for the property.

Elephant Holdings Limited ("EHL") –

EHL helps public and private sector end-users create dependable acoustic and audio-visual solutions. Products offered by EHL include digital displays and signage, public address systems, CCTV security systems, audio-visual systems and high-end high fidelity audio systems.

The sales revenue of EHL was 31% below that of the same period of FY2022. The decrease can mostly be attributed to the delayed completion dates for several major public sector capital projects caused by the fifth wave of the COVID-19 pandemic.

EHL contributed approximately 19% of the Group's total revenue for the period under review.

Property-related Fund Investment –

To diversify and expand its range of investments in the real estate sector, the Group has subscribed for participation in a third party property investment fund "TKO Fund" with a capital commitment of HK\$39.0 million in October 2018. The objective of the TKO Fund is to co-invest with an institutional investor in three properties located in Tseung Kwan O. The properties have retail spaces and car parking spaces totalling approximately 300,000 sq. ft.. Subject to the prevailing market conditions, the fund's holding period of the investment in the properties will be approximately five years from its acquisition at the end of March 2019. As of 31 March 2023, the Group has already contributed HK\$34.9 million capital to the TKO Fund. On the same date, our investment in the TKO Fund was valued at HK\$43.8 million.

CHAIRMAN'S STATEMENT

Other securities Investment –

The Group maintains a portfolio of stocks and other investment products that generate a high yield. The Group adopts the following criteria when determining whether to take up an investment and trading opportunity: 1. Potential for return on investment in terms of capital appreciation and dividend payment for the target holding period; 2. Risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and 3. Diversification of the existing investment portfolio.

Other Fund Investments –

Adams Street Private Income Fund LP

The Group has subscribed to invest in a private equity fund, namely the Adams Street Private Income Fund LP (the "Adams Fund"). The investment objective of the Adams Fund is to generate current income and attractive risk-adjusted returns with strong downside protection. The Adams Fund invests primarily in directly originated, 1st lien senior secured debt instruments of private equity-backed middle-market companies. As of 31 March 2023, the Group has contributed USD7.5 million to the Adams Fund. Our investment in the Adams Fund as at 31 March 2023 was valued at USD5.9 million. The Group has fully contributed its commitment to the Adams Fund.

Hundreds SH Fund LP

The Hundreds SH Fund LP (the "Hundreds Fund") is a limited partnership incorporated in the Cayman Islands. It is principally engaged in fund management. The investment objective of the Hundreds Fund is to achieve long-term capital gains through investments in private or public companies that focus on emerging technologies or online businesses in the People's Republic of China (the "PRC"). The main investment strategy of the Hundreds Fund is to gain an exposure to the companies by primarily investing in the Tencent Plus Partners II Fund (the "TPP II"). TPP II invests principally in late stage growth companies engaged in consumer internet verticals related to Tencent's business, technology, media and telecom and business-to-business e-commerce sectors. The Group has subscribed to invest in the Hundreds Fund in the amount of USD2.0 million. As of 31 March 2023, the Group has contributed USD0.8 million to the Hundreds Fund, and our investment in the Hundreds Fund as at 31 March 2023 was valued at USD0.6 million.

B. Property Projects in Mainland China

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) –

The three shareholders of Silver Gain Development Limited (銀利發展有限公司) (the "Joint Venture Company") have agreed to realise the accumulated profit generated from this Project by disposing of their shares of equity interests in the Joint Venture Company (the "Disposal"), and the Disposal has to go through an open tendering process through the United Assets and Equity Exchange in Shanghai.

A tendering took place at the end of 2022, of which the period will last until the end of 2023. The three shareholders will seek out the best offer from the market during the tendering period.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing –

The occupancy rate and rental income of this project remained stable in comparison to the same period of FY2022.

CHAIRMAN'S STATEMENT

PROSPECTS

After an arduous three-year wait, Hong Kong and mainland China finally opened their borders to the outside world and rescinded the stringent quarantine requirements for inbound travellers that came to define the two territories in January 2023. Quarantine-free travel between Hong Kong and mainland China also resumed in March, injecting much optimism into the city's once-moribund business sectors. Although the economic recovery has been slower than originally anticipated, activity levels on the streets are gradually returning to those of pre-pandemic times.

Owing to the proactive measures adopted to retain occupancy in the past three years, the Group has been able to maintain reasonably healthy income levels in spite of the challenging economic environment; and with stronger business prospects looming in the horizon, we have begun to repeal the rental concessions offered to tenants adversely impacted by the COVID-19 pandemic. Meanwhile, we continue to enhance the Group's properties with timely renovations and upgrades in a bid to distinguish our offerings in a rental market abundant with supply.

The trajectory of Hong Kong's economic recovery will depend on the following factors: 1) whether the removal of travel-related quarantine requirements and increased visitor counts can translate to substantive and sustainable business activities; 2) the extent of further interest rate adjustments by the Federal Reserve of the United States ("US") and the Monetary Authority of Hong Kong and; 3) the economic and political implications on the city amidst rising geopolitical tensions between China and the US-led alliance.

Bolstered by a reanimated tourism sector and the continued support from the Central Government, we nonetheless are optimistic that Hong Kong will be able to resume its position as Asia's premier business hub. We expect occupancy in the Group's properties to improve and rental income to be stable in the latter half of FY2023, and shall seek to invest in attractive high-yield financial securities that typically emerge in a high-interest environment.

Finally, I would like to thank the Board and our staff member for their dedication and hard work. I would also like to express my gratitude to the Shareholders for their continued support.

Wong Tat Chang, Abraham

Chairman, Managing Director and Executive Director

Hong Kong, 30 May 2023

GENERAL AND CORPORATE GOVERNANCE INFORMATION

FINANCIAL REVIEW

Liquidity and financial resources

Shareholders' funds as at 31 March 2023 were HK\$5,464.5 million (30 September 2022: HK\$5,481.9 million).

As at 31 March 2023, the Group's total bank balances and cash amounted to HK\$78.1 million (30 September 2022: HK\$35.8 million), of which over 78% (30 September 2022: 53%) was denominated in Hong Kong dollar ("HK\$"), 3% (30 September 2022: 1%) was denominated in United States dollar ("US\$") and 19% (30 September 2022: 46%) was denominated in Renminbi. As at 31 March 2023, a portion of the Group's securities investments with a total value of HK\$59.4 million (30 September 2022: HK\$65.5 million) was denominated in US\$. The foreign exchange exposure of the Group was not significant given that its large asset base and operational cash flow were denominated primarily in HK\$ and the HK\$ is pegged to US\$.

As at 31 March 2023, the Group's total borrowings, which were denominated in HK\$, were HK\$361.4 million (30 September 2022: HK\$314.0 million).

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

	31.3.2023	30.9.2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	258.0	208.1
After one year but within two years	5.9	5.9
After two years but within five years	19.4	19.3
After five years	78.1	80.7
	<hr/>	<hr/>
	361.4	314.0
	<hr/>	<hr/>

The Group's bank loans of HK\$252.5 million are 1-month revolving loans and classified under current liabilities.

The Group's bank term loan of HK\$108.9 million, which contains a repayment on demand clause is classified under current liabilities.

The bank borrowings carry interest at the Hong Kong Interbank Offer Rate (HIBOR) plus a margin.

As at 31 March 2023, the Group had unutilised banking facilities of approximately HK\$1,472.5 million, which will provide adequate funding for the Group's operational and capital expenditure requirements.

GENERAL AND CORPORATE GOVERNANCE INFORMATION

Gearing and charge on assets

As at 31 March 2023, the debt to equity ratio, based on the Group's total borrowings of HK\$361.4 million and the consolidated equity attributable to owners of the Company of approximately HK\$5,464.5 million, was 6.6%, as compared with 5.7% as at 30 September 2022.

As at 31 March 2023, (i) investment properties of the Group with a total carrying amount of approximately HK\$5,180.6 million (as at 30 September 2022: approximately HK\$3,697.6 million); and (ii) ownership interests in leasehold land held for own use and building of the Group with a total carrying amount of approximately HK\$1.9 million (as at 30 September 2022: approximately HK\$2.0 million) 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 16 to the condensed consolidated interim financial statements of the Company for the Period (the "Condensed Consolidated Interim Financial Statements").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 124 employees (as at 30 September 2022: 125). The staff remuneration, including Directors' emoluments and other employee expenses for the Period amounted to approximately HK\$16.7 million (2022: HK\$15.0 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 the employees.

The Group recognises the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, the 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 the 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 the eligible employees.

TREASURY POLICIES

During the Period, there were no significant changes in the Group's treasury policies.

The principal investment objectives of the Company are to seek capital appreciation with a view to enhancing the application of the Group's surplus funds in accordance with our policies for financial investments and for hedging purpose. For short-term cash investments with horizon of not more than one year, the surplus cash is intended to place as time deposits in licensed banks in Hong Kong or investment in debt or similar financial instruments with a pre-determined minimum credit rating. Any other longer term investments made by the Group from its surplus funds are intended to be financial investments with horizon of over one year, with no fixed cut-off period for equities, and up to 7 years for debt instruments, private equity and private equity funds.

GENERAL AND CORPORATE GOVERNANCE INFORMATION

CONNECTED TRANSACTION

On 15 December 2022, Pokfulam Property Management Limited, a wholly-owned subsidiary of the Company, entered into a construction contract with B.L. Wong & Co., Ltd (the "Contractor") to engage the Contractor to perform certain renovation works for an industrial building (the "Building") at a contract sum of HK\$4,688,000 (the "Contract Sum" and the "Construction Contract", respectively). The Building is situated at China Paint Building, No. 1163 Canton Road, No. 5B Arran Street, Mong Kok, Kowloon, and is partially owned by Metrocenter Holdings Limited, a wholly-owned subsidiary of the Company. The Contractor is beneficially owned by the three Executive Directors in equal shares. Accordingly, the Contractor is an associate of the Executive Directors and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Construction Contract, therefore, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Construction Contract was more than 0.1% but less than 5%, the Construction Contract was subject to the reporting and announcement requirements but was exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Construction Contract was approved by the Board. In view of their interests in the Contractor, each of the Executive Directors was considered to have a material interest in the Construction Contract and, therefore, they abstained from voting at the meeting of the Board convened for considering and approving the Construction Contract. Further details regarding the Construction Contract were set out in the Company's announcement dated 15 December 2022. During the Period, HK\$0.6 million was paid to the Contractor in respect of the transaction as disclosed in note 19 to the Condensed Consolidated Interim Financial Statements.

Save as disclosed above, there were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction of the Company under the Listing Rules during the Period and up to the date of this report. None of the "Related Party Transactions" as disclosed in note 19 to the Condensed Consolidated Interim Financial Statements constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules and the Company had complied with the relevant requirements of Chapters 14 and 14A of the Listing Rules during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate governance

Throughout the Period, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules, save for the following:

Code provision C.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 of the Board (the "Chairman") and Managing Director, 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.

GENERAL AND CORPORATE GOVERNANCE INFORMATION

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.

The INEDs are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code for dealing in the securities of the Company by the Directors. Following specific enquiries made with all Directors by the Company, all of them confirmed that they had complied with the required standards set out in the Model Code throughout the Period.

Purchase, sale or redemption of the Company's listed securities

During the Period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such securities.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange, were as follows:

(a) Long position interests in the Shares

Name of Directors/chief executive	Number of Shares/underlying Shares interested			Total	Approximate percentage of the issued Shares
	Personal interests	Family interests	Other interests		
Wong Tat Chang, Abraham	450,800	–	80,633,866	81,084,666	73.6%
Wong Tat Kee, David	–	–	80,633,866	80,633,866	73.2%
Wong Tat Sum, Samuel	556,000	28,800	80,633,866	81,218,666	73.7%

GENERAL AND CORPORATE GOVERNANCE INFORMATION

(b) Long position in the shares of interests in 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	Total	
Wong Tat Chang, Abraham	10	10	0.1%

Notes:

- (1) Mr. Wong Tat Sum, Samuel, an Executive Director, is deemed to be interested in 28,800 Shares, 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 trust companies are duplicated for each of these three Executive Directors.
- (3) The percentage represents the total number of Shares interested divided by the number of issued Shares of 110,179,385 as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at 31 March 2023, other than the interests which would be required to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors or the chief executive, the Company had not been notified by any entity or person, not being a Director or the chief executive of the Company, of having 5% or more of the interests or short positions in the Shares and underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

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

There was no change of Directors' or chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

GENERAL AND CORPORATE GOVERNANCE INFORMATION

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) Pursuant to a facility agreement dated 15 November 2022 entered into amongst Patricus Limited, a wholly-owned subsidiary of the Company, as borrower, the Company as guarantor and The Hong Kong and Shanghai Banking Corporation Limited as lender (the “HSBC Facility Agreement”), a revolving loan facility of HK\$200 million (the “HSBC Facility”) was made available by the lender to Patricus Limited on the terms contained therein.

Under the terms of the HSBC Facility Agreement, if Mr. Wong Tat Chang, Abraham, Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, in aggregate, cease to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company and/or cease to be entitled to exercise management control on the Company, the commitments under the HSBC Facility may be cancelled and the amounts outstanding, together with accrued interest and other amounts (if any) payable, under the HSBC Facility may become immediately due and repayable.

- (b) Pursuant to a facility agreement dated 17 March 2023 entered into amongst the Company and/or Patricus Limited, a wholly owned subsidiary of the Company, as borrowers, the Company as guarantor and Industrial and Commercial Bank of China (Asia) Limited as lender (the “ICBC Facility Agreement”). Pursuant to the ICBC Facility Agreement, loan facilities with an aggregate amount of HK\$232 million (the “ICBC Facility”) was made available by the lender to the Company and/or Patricus Limited on the terms contained therein.

Under the terms of the ICBC Facility Agreement, if Mr. Wong Tat Chang, Abraham, Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, in aggregate, maintain beneficial ownership (directly or indirectly) of less than 50% of the issued share capital of the Company, the commitments under the ICBC Facility may be cancelled and amounts outstanding, together with accrued interest and other amounts (if any) payable, under the ICBC Facility may become immediately due and repayable.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Wednesday, 21 June 2023 to Monday, 26 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, non-registered Shareholders must lodge all properly completed and stamped transfer documents accompanied by the relevant share certificates with the Company’s share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 20 June 2023.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Board (the “Audit Committee”) comprises all INEDs. The Audit Committee has reviewed the results of the Group for the Period (including the Condensed Consolidated Interim Financial Statements) and this interim report.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 MARCH 2023

	NOTES	Six months ended	
		31.3.2023	31.3.2022
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	78,071	82,768
Other income and gains	4	11,997	10,502
Costs:			
Property and related costs			
– property investment		(7,219)	(7,880)
– property management		(3,452)	(2,948)
Trading of goods costs		(11,880)	(17,939)
Staff costs		(16,654)	(14,971)
Other expenses		(10,853)	(5,036)
		(50,058)	(48,774)
Profit before changes in fair value of financial assets at fair value through profit or loss and investment properties		40,010	44,496
Decrease in fair value of financial assets at fair value through profit or loss		(5,924)	(5,862)
Decrease in fair value of investment properties	10	(2,285)	(17,472)
		31,801	21,162
Finance costs on bank borrowings	5	(7,880)	(1,292)
Share of loss of joint ventures		(2,976)	(1,874)
Profit before income tax	6	20,945	17,996
Income tax expense	7	(4,126)	(6,093)
Profit for the period		16,819	11,903

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 MARCH 2023

		Six months ended	
		31.3.2023	31.3.2022
NOTE		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
	Change in fair value on equity instrument designated at fair value through other comprehensive income, net of tax	254	(533)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Change in fair value on debt instruments at fair value through other comprehensive income, net of tax	35	(473)
	Release on disposal of debt instruments at fair value through other comprehensive income	–	(228)
	Exchange gain/(loss) arising on translation of foreign operations	4,359	(887)
	Exchange gain arising from long term advances to a joint venture	1,038	6,690
	Other comprehensive income for the period, net of tax	5,686	4,569
	Total comprehensive income for the period	22,505	16,472
Profit/(loss) for the period attributable to:			
	Owners of the Company	17,296	12,639
	Non-controlling interests	(477)	(736)
		16,819	11,903
Total comprehensive income for the period attributable to:			
	Owners of the Company	22,982	17,208
	Non-controlling interests	(477)	(736)
		22,505	16,472
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share - basic	9	0.16	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

		31.3.2023	30.9.2022
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Investment properties	10	5,521,541	5,518,924
Property, plant and equipment	10	12,638	8,172
Intangible assets		–	300
Interests in joint ventures		25,738	23,914
Amount due from a joint venture		133,134	135,625
Deposits and prepayments		879	1,338
Financial assets at fair value through profit or loss	12	95,350	101,861
Equity instrument designated at fair value through other comprehensive income	11	12,238	11,984
		5,801,518	5,802,118
Current Assets			
Inventories		28,134	18,553
Financial assets at fair value through profit or loss	12	21,803	20,477
Debt instruments at fair value through other comprehensive income	11	7,827	7,789
Trade and other receivables	13	7,020	13,952
Deposits and prepayments		7,744	9,381
Time deposits with maturity over three months		39,561	7,747
Bank balances and cash		38,538	28,008
		150,627	105,907
Current Liabilities			
Trade and other payables	14	21,479	22,521
Contract liabilities		18,297	9,124
Rental and management fee deposits		25,738	25,740
Amount due to the non-controlling interest		–	650
Provision for taxation		3,546	1,391
Bank borrowings, secured	15	361,371	313,956
		430,431	373,382
Net Current Liabilities		(279,804)	(267,475)
Total Assets less Current Liabilities		5,521,714	5,534,643

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital and Reserves		
Share capital	146,134	146,134
Reserves	5,318,381	5,335,745
Equity attributable to owners of the Company	5,464,515	5,481,879
Non-controlling interests	15	(2,393)
Total Equity	5,464,530	5,479,486
Non-current Liability		
Deferred taxation	57,184	55,157
	5,521,714	5,534,643

The Condensed Consolidated Interim Financial Statements on pages 13 to 36 were approved and authorised for issue by the Board on 30 May 2023 and are signed on its behalf by:

Wong Tat Chang, Abraham
CHAIRMAN, MANAGING DIRECTOR
AND EXECUTIVE DIRECTOR

Wong Tat Sum, Samuel
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company							Total
	Share capital	Translation reserve*	Investment revaluation reserve (recycling)*	Investment revaluation reserve (non-recycling)*	Retained profits*	Sub-total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At at 1 October 2021 (audited)	146,134	13,903	673	8,000	5,355,222	5,523,932	(992)	5,522,940
Profit/(loss) for the period	–	–	–	–	12,639	12,639	(736)	11,903
Other comprehensive income for the period:								
Changes in fair value on:								
– Debt instruments at fair value through other comprehensive income ("FVOCI")	–	–	(473)	–	–	(473)	–	(473)
– Equity instrument designated at FVOCI	–	–	–	(533)	–	(533)	–	(533)
Release on disposal of debt instrument at FVOCI	–	–	(228)	–	–	(228)	–	(228)
Exchange loss arising on translation of financial statements of foreign operations	–	(887)	–	–	–	(887)	–	(887)
Exchange gain arising from long term advances to a joint venture	–	6,690	–	–	–	6,690	–	6,690
Total comprehensive income for the period	–	5,803	(701)	(533)	12,639	17,208	(736)	16,472
Dividend paid	–	–	–	–	(37,461)	(37,461)	–	(37,461)
As at 31 March 2022 (unaudited)	146,134	19,706	(28)	7,467	5,330,400	5,503,679	(1,728)	5,501,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company							Total
	Share capital	Translation reserve*	Investment revaluation reserve	Investment revaluation reserve (non-recycling)*	Retained profits*	Sub-total	Non-controlling interests	
			(recycling)*	(recycling)*				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At at 1 October 2022 (audited)	146,134	3,738	(126)	3,984	5,328,149	5,481,879	(2,393)	5,479,486
Profit/(loss) for the period	-	-	-	-	17,296	17,296	(477)	16,819
Other comprehensive income for the period:								
Changes in fair value on:								
- Debt instruments at FVOCI	-	-	35	-	-	35	-	35
- Equity instrument designated at FVOCI	-	-	-	254	-	254	-	254
Exchange gain arising on translation of financial statements of foreign operations	-	4,359	-	-	-	4,359	-	4,359
Exchange gain arising from long term advances to a joint venture	-	1,038	-	-	-	1,038	-	1,038
Total comprehensive income for the period	-	5,397	35	254	17,296	22,982	(477)	22,505
Change in equity interest without loss of control	-	-	-	-	(2,885)	(2,885)	2,885	-
Dividend paid	-	-	-	-	(37,461)	(37,461)	-	(37,461)
As at 31 March 2023 (unaudited)	146,134	9,135	(91)	4,238	5,305,099	5,464,515	15	5,464,530

* These reserve accounts comprise the consolidated reserves of approximately HK\$5,318,381,000 in the condensed consolidated statement of financial position as at 31 March 2023 (30 September 2022: HK\$5,335,745,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash generated from operating activities	45,253	31,591
Investing activities		
Placement of time deposits with maturity over three months	(31,520)	–
Dividend received from equity instrument designated at FVOCI	2,099	3,113
Proceed on disposal of debt instrument at FVOCI	–	27,290
Investment in financial asset at fair value through profit or loss (“FVTPL”)	(725)	(2,077)
Addition of investment properties	(1,649)	(307,672)
Other investing cash flows	(5,094)	(222)
Net cash used in investing activities	(36,889)	(279,568)
Financing activities		
New bank borrowings	62,000	428,961
Repayment of bank borrowings	(14,585)	(145,576)
Dividend paid	(37,461)	(37,461)
Interest paid	(7,880)	(1,292)
Net cash generated from financing activities	2,074	244,632
Net increase/(decrease) in cash and cash equivalents	10,438	(3,345)
Cash and cash equivalents at the beginning of the period	28,008	68,383
Effect of foreign exchange rate changes	92	(275)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	38,538	64,763

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

1. GENERAL

Pokfulam Development Company Limited (the “Company”) is a public limited liability company incorporated in Hong Kong and its issued shares (the “Shares”) are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company and its subsidiaries are together referred to as the Group.

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

The address of the registered office and the principal place of business of the Company is 23rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 31 March 2023 (the “Period”) (the “Condensed Consolidated Interim 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 (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The Condensed Consolidated Interim Financial Statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. The Condensed Consolidated Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s audited annual consolidated financial statements for the year ended 30 September 2022 (the “Year 2022” and the “2022 Audited Financial Statements”, respectively). The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance to Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s audited annual financial statements for the Year 2022.

The financial information relating to the Year 2022 that is included in the Condensed Consolidated Interim 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 Companies Ordinance, Chapter 622 of the laws of Hong Kong (the “Companies Ordinance”) is as follows:

The Company has delivered the 2022 Audited Financial Statements 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 (the “Independent Auditor”) has reported on the 2022 Audited 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements have been prepared with the same accounting policies adopted in the 2022 Audited Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2022.

The Group had net current liabilities of approximately HK\$279,804,000 as at 31 March 2023. Included in the Group's current liabilities as at 31 March 2023, the Group had bank interest-bearing borrowings of HK\$361,371,000 subject to demand clause as set out in note 15 to the Condensed Consolidated Interim Financial Statements.

The Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future taking into account of the unutilised banking facilities of approximately HK\$1,472,539,000 (note 15) as at 31 March 2023. As at 31 March 2023, the directors of the Company (the "Directors") believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from the end of the reporting period, and they do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the banking facility letters. This evaluation was made considering: the financial position of the Group at the date of approval of the Condensed Consolidated Interim Financial Statements; the Group's compliance with the loan covenants; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements.

During the Period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The other new or amended HKFRSs that are effective from 1 October 2022 did not have a material effect on the Group's accounting policies.

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Audited Financial Statements.

The Group is in the process of making assessment of the potential impact of adopting new/revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group. The Directors have so far concluded that the application of these new pronouncements will have no material impact on the Group's Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

3. SEGMENT INFORMATION

The Group's operating segments based on the information reported to the chief operating decision maker (the "CODM") (i.e. the managing director of the Company) for the purposes of resource allocation and performance assessment are as follows:

Property investment and management	–	letting and management of commercial, industrial and residential properties
Trading of goods	–	trading of visual and sound equipment, and home appliances
Securities investment	–	investment in securities

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

For the six months ended 31 March 2023

	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	59,479	15,124	3,468	78,071	–	78,071
Inter-segment	984	57	–	1,041	(1,041)	–
	60,463	15,181	3,468	79,112	(1,041)	78,071
Segment profit/(loss) (Notes (i) and (ii))	40,306	(636)	(2,571)	37,099	–	37,099
Unallocated other income and gains						11,997
Corporate expenses						(17,295)
Finance costs on bank borrowings						(7,880)
Share of loss of joint ventures						(2,976)
Profit before income tax						20,945

- Notes:
- Segment profit of property investment and management business included a decrease in fair value of investment properties of approximately HK\$2,285,000.
 - Segment loss of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK\$5,924,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

3. SEGMENT INFORMATION (CONTINUED)

For the six months ended 31 March 2022

	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	58,788	21,964	2,016	82,768	–	82,768
Inter-segment	914	90	–	1,004	(1,004)	–
	59,702	22,054	2,016	83,772	(1,004)	82,768
Segment profit/(loss) (Notes (i) and (ii))	24,320	(1,217)	(3,430)	19,673	–	19,673
Unallocated other income and gains						11,699
Corporate expenses						(10,210)
Finance costs on bank borrowings						(1,292)
Share of loss of joint ventures						(1,874)
Profit before income tax						17,996

Notes: i. Segment profit of property investment and management business included a decrease in fair value of investment properties of approximately HK\$17,472,000.

ii. Segment loss of securities investment business included a decrease in fair value of financial assets at FVTPL of approximately HK\$5,862,000.

Inter-segment revenue is charged at mutually agreed terms.

Segment profit/(loss) represents the profit made/(loss incurred) by each segment without allocation of certain other income and gains (mainly including interest income, dividend income from equity instrument designated at FVOCI and exchange gain), corporate expenses, finance costs and share of loss of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the CODM in the resource allocation and assessment of performance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

3. SEGMENT INFORMATION (CONTINUED)

An analysis of revenue is as follows:

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
– Sales of goods	15,124	21,964
– Building management services	5,697	5,381
	20,821	27,345
Revenue from other sources:		
– Rental income	53,782	53,407
– Dividend income	3,468	2,016
	57,250	55,423
Total revenue	78,071	82,768

The following table provides information about timing of revenue recognition:

	Property investment and management		Trading of goods		Securities investment		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At a point in time	–	–	15,124	21,964	–	–	15,124	21,964
Over time	5,697	5,381	–	–	–	–	5,697	5,381
	5,697	5,381	15,124	21,964	–	–	20,821	27,345
Revenue from other sources	53,782	53,407	–	–	3,468	2,016	57,250	55,423
	59,479	58,788	15,124	21,964	3,468	2,016	78,071	82,768

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

4. OTHER INCOME AND GAINS

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Dividend income from equity instrument designated at FVOCI	2,099	3,113
Imputed interest income on amount due from a joint venture	4,388	4,510
Interest income		
– Bank deposits	168	124
– Debt instruments at FVOCI	5	696
Sundry income (<i>Note</i>)	1,336	588
Exchange gain	4,001	1,243
Gain on release of investment revaluation reserve upon disposal of debt instrument at FVOCI	–	228
	11,997	10,502

Note: Sundry income included the unconditional and one-off government subsidies from the Anti-epidemic Fund launched by Hong Kong Special Administrative Region Government. There were no unfulfilled conditions as at 31 March 2023 and 2022.

5. FINANCE COSTS ON BANK BORROWINGS

The amounts represent interests on bank loans.

6. PROFIT BEFORE INCOME TAX

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation:		
– owned property, plant and equipment	606	552
– right-of-use-assets including within property, plant and equipment	4	4
Amortisation of intangible assets	65	130
(Gain)/loss on disposal of property, plant and equipment	(46)	2
Reversal of impairment on trade and other receivables	(1,293)	(488)
Provision for impairment on deposits	–	6
Provision for impairment on amounts due from joint ventures	7,384	1,047
Provision for inventories written down	–	340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

7. INCOME TAX EXPENSE

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	1,955	4,213
– The People's Republic of China (the "PRC") Enterprise Income Tax (the "EIT")	144	80
Deferred tax	2,027	1,800
	4,126	6,093

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong, except that the first HK\$2,000,000 of qualified group entity's assessable profit is calculated at 8.25%, which is in accordance with the two-tiered profits tax rates regime.

The Company's subsidiaries in the PRC are subject to the PRC EIT. The applicable PRC EIT rate for the PRC subsidiaries is 25% (2022: 25%) for the six months ended 31 March 2023.

8. DIVIDEND

In March 2023, the final dividend in respect of the Year 2022 of HK34 cents (2022: HK34 cents in respect of the financial year ended 30 September 2021) per ordinary share, totalling HK\$37,461,000 (2022: HK\$37,461,000), was paid to the shareholders of the Company ("Shareholders").

Subsequent to the end of the Period, the board of directors of the Company (the "Directors") has determined that an interim dividend in respect of the financial year ending 30 September 2023 of HK4 cents (2022: HK4 cents) per ordinary share, totalling HK\$4,407,000 (2022: HK\$4,407,000) will be paid to the Shareholders whose names appear on the Register of Members on 26 June 2023.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$17,296,000 (six months ended 31 March 2022: approximately HK\$12,639,000) and on 110,179,385 (six months ended 31 March 2022: 110,179,385) shares in issue during the Period.

There were no potential ordinary shares in issue during both six months periods and at the end of both reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

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

The Group's investment properties as at 31 March 2023 were carried at fair value as estimated using direct comparison method or income capitalisation method, where appropriate. The decrease in fair value of approximately HK\$2,285,000 (six months ended 31 March 2022: HK\$17,472,000) has been recognised directly in profit or loss for the Period.

During the Period, the Group had incurred additional costs on investment properties as well as property, plant and equipment at a total cost of approximately HK\$1,649,000 and approximately HK\$5,095,000, respectively (six months ended 31 March 2022: approximately HK\$307,672,000 and approximately HK\$222,000, respectively).

The ownership interests in leasehold land held for own use carried at depreciated cost in Hong Kong, regarded as right-of-use assets, have been included in property, plant and equipment.

The Group's leasehold land that was held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value.

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

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Properties located in Hong Kong:		
Residential	–	(205)
Commercial	(5,500)	(7,227)
Industrial	(1,148)	(10,040)
Properties located in the PRC:		
Residential	4,363	–
	(2,285)	(17,472)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11. FINANCIAL ASSETS AT FVOCI

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt instruments at FVOCI		
– Listed debt securities investment, at fair value and classified as non-current asset	7,827	7,789
Equity instrument designated at FVOCI		
– Unlisted equity investment, at fair value and classified as non-current asset	12,238	11,984

The equity investment was irrevocably designated at FVOCI as the Group considers the investment to be long-term strategic capital investment in nature.

Changes in fair value of the above equity instrument are recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserves within equity. The Group transfers amounts from investment revaluation reserve (non-recycling) to retained profits when the relevant instrument is derecognised.

The debt securities investment is listed in Hong Kong and denominated in United States Dollars (“USD”).

12. FINANCIAL ASSETS AT FVTPL

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current portion (<i>Note</i>)		
Unlisted equity instruments at fair value		
– in Hong Kong	43,808	44,110
– outside Hong Kong	51,542	57,751
	95,350	101,861
Current portion		
Listed equity securities in Hong Kong at fair value	21,803	20,477

Note:

The Group intends to hold the unlisted equity instruments for long-term strategic capital investment purpose.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

13. TRADE AND OTHER RECEIVABLES

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

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	2,878	8,388
Less: Provision for impairment	(246)	(357)
Trade receivables, net	2,632	8,031
Other receivables	5,612	8,327
Less: Provision for impairment	(1,224)	(2,406)
Other receivables, net	4,388	5,921
Total trade and other receivables	7,020	13,952

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

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,158	5,061
31 – 60 days	364	1,319
61 – 90 days	70	1,181
Over 90 days	40	470
	2,632	8,031

Before accepting any new customer, the Group will assess the potential customer's credit quality. Limits attributed to customers are reviewed once a year. The Group's trade receivables that are neither past due nor impaired have the best credit quality by reference to respective settlement history.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the provision for impairment on trade and other receivables are as follows:

	<i>HK\$'000</i>
At 1 October 2021	4,588
Reversal of provision for impairment	(1,825)
At 30 September 2022 and 1 October 2022	<u>2,763</u>
Reversal of provision for impairment	(1,293)
At 31 March 2023	<u>1,470</u>

14. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods, and the total balances of trade and other payables comprise:

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	743	735
31 – 60 days	413	230
61 – 90 days	669	15
Over 90 days	276	47
	<u>2,101</u>	<u>1,027</u>
Other payables	14,388	17,711
Renovation fee and retention payable	1,129	1,415
Receipt in advance	3,861	2,368
	<u>21,479</u>	<u>22,521</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

15. BANK BORROWINGS, SECURED

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans repayable based on scheduled repayment date set out in the loan agreements		
– Within one year	258,031	208,080
– After one year but not exceeding two years	5,854	5,878
– After two years but not exceeding five years	19,408	19,309
– After five years	78,078	80,689
	361,371	313,956

During the six months ended 31 March 2023, the Group obtained monthly revolving loans of approximately HK\$62,000,000. During the six months ended 31 March 2022, the Group repaid the Installment Loan of approximately HK\$2,585,000 and monthly revolving loans of HK\$12,000,000. In accordance with relevant terms and clauses as stipulated in the banking facilities letters, the Group's bank borrowings of HK\$361,371,000 (30 September 2022: HK\$313,956,000) contain repayment on demand clauses at the discretion of the relevant banks and the Group, as a borrower, has no right to defer the settlement of the relevant bank borrowings as at 31 March 2023. Accordingly, the bank borrowings are shown under current liabilities as at 31 March 2023.

The bank loans carry interests at Hong Kong Interbank offered Rate (HIBOR) plus certain basis points and are denominated in HK\$, which are the functional currency of the relevant group entities.

The bank loans were secured by the Group's investment properties amounting to approximately HK\$2,868,100,000 (30 September 2022: HK\$1,988,100,000) as at 31 March 2023.

As at 31 March 2023, the Group has unutilised banking facilities of HK\$1,472,539,000 (30 September 2022: HK\$1,093,668,000).

Subsequent to reporting date in April 2023, the Group obtained a new bank loan of HK\$180 million, which bears interest rates at HIBOR+1.1% per annum with maturity period of 5 years.

In April 2023, the Group repaid existing bank loans with a total carrying amount of HK\$180 million as of 31 March 2023, HK\$90 million of which is monthly revolving loan. The remaining HK\$90 million repayment is to partially early repay a bank term loan which has original maturity date after five years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

16. COMMITMENTS

At the end of the reporting periods, the Group had the following commitments:

	31.3.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:		
Property renovation costs	5,247	–
Investment in unlisted equity instruments	12,832	13,540
	18,079	13,540

17. PLEDGE OF ASSETS

As at 31 March 2023, (i) investment properties of the Group with a total carrying amount of approximately HK\$5,180,600,000 (30 September 2022: approximately HK\$3,697,600,000); and (ii) ownership interests in leasehold land held for own use and building of the Group with a total carrying amount of approximately HK\$1,919,000 (30 September 2022: approximately HK\$1,975,000) were pledged to banks to secure the general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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 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 assets	Fair value	Fair value measurements as at		
	as at 31 March 2023	31 March 2023	categorised into	
	HK\$'000	Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000
		(Note)		
Financial assets measured at FVTPL:				
– Listed equity securities	21,803	21,803	–	–
– Unlisted equity instruments	95,350	–	–	95,350
Equity instrument designated at FVOCI:				
– Unlisted equity investment	12,238	–	–	12,238
Debt instruments at FVOCI:				
– Listed debt securities investment	7,827	7,827	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at 30 September 2022	Fair value measurements as at 30 September 2022 categorised into		
	HK\$'000	Level 1 HK\$'000 (Note)	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets measured at FVTPL:				
– Listed equity securities	20,477	20,477	–	–
– Unlisted equity instruments	101,861	–	–	101,861
Equity instrument designated at FVOCI:				
– Unlisted equity investment	11,984	–	–	11,984
Debt instruments at FVOCI:				
– Listed debt securities investment	7,789	7,789	–	–

Note:

Fair values of these investments have been determined by reference to their quoted bid prices as at the end of the reporting periods.

Reconciliation of Level 3 fair value measurement of financial assets:

	Unlisted equity investment classified as equity instrument designated at FVOCI HK\$'000	Unlisted equity instruments classified as financial assets at FVTPL HK\$'000
At 1 October 2021	16,000	100,803
Addition during the year	–	1,460
Change in fair value, recognised in other comprehensive income	(4,016)	–
Change in fair value, recognised in profit or loss	–	(402)
At 30 September 2022 and at 1 October 2022	11,984	101,861
Addition during the period	–	704
Change in fair value, recognised in other comprehensive income	254	–
Change in fair value, recognised in profit or loss	–	(7,215)
At 31 March 2023	12,238	95,350

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value as at		Valuation technique(s)	Unobservable input		Range (weighted average)		Relationship of unobservable inputs to fair value
	31.3.2023	30.9.2022		31.3.2023	30.9.2022	31.3.2023	30.9.2022	
	HK\$'000	HK\$'000						
Financial assets measured at FVTPL								
Unlisted equity instrument	43,808	44,110	Adjusted asset-based approach	Discount rate for lack of control	Discount rate for lack of control	25.17%	25.00%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Unlisted equity instruments	51,542	57,751	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	11.40% to 15.70%	11.40%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa
Equity instrument designated at FVOCI								
Unlisted equity investment	12,238	11,984	Market approach	Discount rate for lack of marketability	Discount rate for lack of marketability	13.30%	13.30%	A slight increase in the discount rate would result in an insignificant decrease in the fair value, and vice versa

There were no transfers between levels during the six months ended 31 March 2023 and 31 March 2022.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the Condensed Consolidated Interim Financial Statements approximate to their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

19. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the Condensed Consolidated Interim Financial Statements, the following transactions were carried out by the Group with the related parties during the Period. The terms of the below transactions (a) and (b) were mutually agreed by the Group and the related companies.

(a) Significant related party transactions with B.L. Wong & Company Limited ("B.L. Wong")

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Renovation fee paid to B.L. Wong	564	–
Rental income received from B.L. Wong	540	540
Property management fee received from B.L. Wong	117	117

Note: Mr. Wong Tat Chang, Abraham, Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel ("Mr. Samuel Wong"), who are the executive directors of the Company, held interests in the Company and B.L. Wong.

(b) Significant related party transactions with Bowen Capital Limited ("Bowen")

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Rental income received from Bowen	480	–
Property management fee received from Bowen	101	–

Note: Mr. Samuel Wong is the common director of the Company and Bowen. Bowen is beneficially owned by a close family member of Mr. Samuel Wong.

(c) Compensation of key management personnel

Total remuneration of the Directors and other members of key management personnel of the Group during the Period was as follows:

	Six months ended	
	31.3.2023	31.3.2022
	HK\$'000	HK\$'000
Short term employee benefits	4,032	4,064
Retirement scheme contributions	40	40
	4,072	4,104