# POKFULAM DEVELOPMENT COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 225)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2008

The Board of Directors announces that the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 30th September, 2008 together with comparative figures for the corresponding period in 2007 are as follows:–

### CONSOLIDATED INCOME STATEMENT

*For the year ended 30th September, 2008*

| | *NOTES* | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|---|
| Turnover | 3 | **122,781** | 110,605 |
| Cost of sales | | **(16,122)** | (18,054) |
| Cost of rental and other operations | | **(25,025)** | (22,974) |
| | | **81,634** | 69,577 |
| Other income | | **4,937** | 3,202 |
| (Decrease) increase in fair value of investments held for trading | | **(6,719)** | 9,067 |
| (Loss) gain on fair value change of investment properties | | **(400)** | 301,800 |
| Selling and marketing expenses | | **(1,685)** | (1,574) |
| Administrative expenses | | **(9,290)** | (9,203) |
| Finance costs | 5 | **(5,699)** | (9,377) |
| Share of loss of a jointly controlled entity | | **(4,165)** | (1,203) |
| Profit before taxation | 6 | **58,613** | 362,289 |
| Income tax credit (expense) | 7 | **6,978** | (54,130) |
| Profit for the year | | **65,591** | 308,159 |
| Profit for the year attributable to | | | |
| Equity holders of the Company | | **65,295** | 307,419 |
| Minority interests | | **296** | 740 |
| | | **65,591** | 308,159 |
| Dividends | | | |
| Paid | 8 | **22,036** | 17,629 |
| Proposed | 8 | **14,323** | 17,629 |
| | | ***HK$*** | *HK$* |
| Earnings per share-basic | 9 | **0.59** | 2.79 |

**CONSOLIDATED BALANCE SHEET**
*At 30th September, 2008*

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current Assets** | | |
| Investment properties | **2,039,900** | 2,040,300 |
| Property, plant and equipment | **5,005** | 4,903 |
| Prepaid lease payments | **922** | 930 |
| Interest in a jointly controlled entity | **6,765** | 3,751 |
| Amount due from a jointly controlled entity | **79,016** | 70,727 |
| Available-for-sale investments | **8,000** | 8,000 |
| | **2,139,608** | 2,128,611 |
| **Current Assets** | | |
| Inventories | **6,256** | 7,437 |
| Investments held for trading | **22,766** | 29,485 |
| Trade and other receivables | **2,832** | 4,269 |
| Deposits and prepayments | **2,457** | 957 |
| Prepaid lease payments | **8** | 8 |
| Bank balances and cash | **2,518** | 1,590 |
| | **36,837** | 43,746 |
| **Current Liabilities** | | |
| Trade and other payables | **9,410** | 10,405 |
| Rental and management fee deposits | **22,318** | 17,803 |
| Provision for taxation | **9,890** | 10,205 |
| Loans from a related company, unsecured | **3,000** | 6,000 |
| Bank loans, secured | **44,000** | 68,000 |
| Bank overdrafts, secured | **5,994** | 5,195 |
| | **94,612** | 117,608 |
| **Net Current Liabilities** | **(57,775)** | (73,862) |
| | **2,081,833** | 2,054,749 |
| **Capital and Reserves** | | |
| Share capital | **110,179** | 110,179 |
| Reserves | **1,617,522** | 1,568,951 |
| Equity attributable to equity holders of the Company | **1,727,701** | 1,679,130 |
| **Minority Interests** | **5,123** | 6,751 |
| **Total Equity** | **1,732,824** | 1,685,881 |
| **Non-current Liabilities** | | |
| Bank loans, secured | **92,000** | 96,000 |
| Deferred taxation | **257,009** | 272,868 |
| | **349,009** | 368,868 |
| | **2,081,833** | 2,054,749 |

*NOTES:*

## 1. BASIS OF PREPARATION

The 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.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| HKAS 39 (Amendment) | Eligible Hedged Items[3] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC)-Int 12 | Service Concession Arranagements[4] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate[2] |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation[6] |

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008
[6] Effective for annual periods beginning on or after 1st October, 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

## 3. TURNOVER

An analysis of the Group's turnover is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property rentals | **84,357** | 70,625 |
| Building management fees | **5,467** | 4,974 |
| Sale of goods | **27,293** | 29,297 |
| Others | **5,664** | 5,709 |
| | **122,781** | 110,605 |

## 4. SEGMENT INFORMATION

The businesses based upon which the Group reports its primary segment information 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 |
| Investment holding | – | investment in unlisted equity securities for long term strategic purposes |

Segment information about these businesses is presented below:

**Revenue and results**

*Year ended 30th September, 2008*

| | Property investment and management | Trading of goods | Securities investment | Investment holding | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | |
| External | **89,824** | **27,293** | **2,464** | **3,200** | **–** | **122,781** |
| Inter-segment | **1,282** | **–** | **–** | **–** | **(1,282)** | **–** |
| | **91,106** | **27,293** | **2,464** | **3,200** | **(1,282)** | **122,781** |
| Segment results | **74,695** *(note)* | **572** | **(4,279)** | **3,200** | **–** | **74,188** |
| Other income | | | | | | **3,166** |
| Unallocated corporate expenses | | | | | | **(8,877)** |
| Finance costs | | | | | | **(5,699)** |
| Share of loss of a jointly controlled entity | | | | | | **(4,165)** |
| Profit before taxation | | | | | | **58,613** |
| Income tax credit | | | | | | **6,978** |
| Profit for the year | | | | | | **65,591** |

*Note:* Segment results of property investment and management division include loss on fair value change of investment properties of HK$400,000.

**Revenue and results**

*Year ended 30th September, 2007*

| | Property investment and management | Trading of goods | Securities investment | Investment holding | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | |
| External | 75,599 | 29,297 | 4,109 | 1,600 | – | 110,605 |
| Inter-segment | 1,198 | – | – | – | (1,198) | – |
| | 76,797 | 29,297 | 4,109 | 1,600 | (1,198) | 110,605 |
| Segment results | 363,754 *(note)* | 1,735 | 12,352 | 1,600 | – | 379,441 |
| Other income | | | | | | 2,209 |
| Unallocated corporate expenses | | | | | | (8,781) |
| Finance costs | | | | | | (9,377) |
| Share of loss of a jointly controlled entity | | | | | | (1,203) |
| Profit before taxation | | | | | | 362,289 |
| Income tax expense | | | | | | (54,130) |
| Profit for the year | | | | | | 308,159 |

*Note:* Segment results of property investment and management division include gain on fair value change of investment properties of HK$301,800,000.

## 5. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank loans and overdrafts | **5,545** | 8,830 |
| Other loans wholly repayable within five years | **154** | 547 |
| | **5,699** | 9,377 |

## 6. PROFIT BEFORE TAXATION

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditors' remuneration | **690** | 663 |
| Release of prepaid lease payments | **8** | 8 |
| Gain on disposal and write-off of property, plant and equipment | **(179)** | (5) |
| Depreciation on property, plant and equipment | **1,137** | 1,135 |
| Staff costs (including directors' emoluments) | **17,441** | 16,688 |
| Imputed interest income on amount due from a jointly controlled entity | **(3,161)** | (2,113) |
| Bank interest income | **(10)** | (99) |
| Dividends from listed securities | **(2,464)** | (3,123) |
| Foreign exchange gain, net | **(4)** | (80) |
| Direct operating expenses arising from investment properties that generated rental income during the year | **8,623** | 7,774 |

Included in staff costs are contributions to the Mandatory Provident Fund Scheme totalling HK$629,000 (2007: HK$630,000).

Rental income from investment properties less outgoings amounts to HK$75,734,000 (2007: HK$62,851,000).

## 7. INCOME TAX CREDIT (EXPENSE)

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The income tax credit (expense) comprises Hong Kong Profits Tax: | | |
| Company and subsidiaries | | |
| Current tax | **(8,881)** | (7,714) |
| Deferred tax | **15,859** | (46,416) |
| | **6,978** | (54,130) |

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. On 26th June, 2008, the Hong Kong Legislative Council Passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30th September, 2008.

## 8. DIVIDENDS

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend paid: | | |
| Interim dividend | | |
| HK4 cents (2007: HK4 cents) per ordinary share | **4,407** | 4,407 |
| Final dividend in respect of 2007 | **17,629** | – |
| Final dividend in respect of 2006 | **–** | 13,222 |
| | **22,036** | 17,629 |
| Dividend proposed: | | |
| Final dividend | | |
| HK13 cents (2007: HK16 cents) per ordinary share | **14,323** | 17,629 |

The final dividend of HK13 cents (2007: HK16 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the year of HK$65,295,000 (2007: HK$307,419,000) and on 110,179,385 (2007: 110,179,385) ordinary shares in issue during the year.

# CHAIRMAN'S STATEMENT

## PROFIT FOR THE YEAR

The consolidated net profit of the Group after taxation and minority interests for the year ended 30th September, 2008 was HK$65.3 million, as compared to HK$307.4 million for the previous year.

If the deferred tax credit net of revaluation deficit on investment properties of HK$14.2 million (2007 – revaluation surplus on investment properties net of deferred tax of HK$256.8 million) were to be excluded, the underlying net profit for the year would be HK$51.1 million (2007 – HK$50.6 million). The Group had benefited from the increase in rental income during the period under review. However, the mark down to market price of the listed securities held by the Group at balance sheet date had offset this increase.

## DIVIDEND

The Board has recommended the payment of a final dividend of 13 cents per share to shareholders whose names appear on the Register of Members of the Company on 31st December, 2008. This, together with the interim dividend of 4 cents per share paid on 28th July, 2008, will give a total dividend of 17 cents per share for the whole year. Upon approval at the Annual General Meeting, the final dividend will be paid to shareholders on 6th January, 2009.

## BUSINESS REVIEW

### A. Hong Kong

The major portion of the Group's profit from operation for the financial year under review was derived from rental income of the Group's investment properties in Hong Kong. The Group's rental income had shown a 19% increase over that of the previous financial year. The increase was a reflection of the strong demand for the Group's residential and commercial properties in the period under review.

Elephant Holdings Limited (EHL), a subsidiary of the Group, had recorded a slight decline in sales revenue for the period under review. This was due to keen competition in the Public Address/Audio-Video Engineering field which is one of EHL's fields of specialty. In spite of the sales decline, EHL continued to contribute profit to the Group.

### B. Project in the Mainland

Silver Gain Plaza in Guangzhou (in which the Group has a one-third interest) - Construction of the 4-storey podium of Phase III of this project has recently been completed. Plans for an additional 15-storey office tower on top of the already completed commercial podium of Phase II of this project has recently been approved by the relevant authorities in Guangzhou. This proposed office tower will have a total floor area of 8,900 square meters. Construction of this office tower will commence upon obtaining the Construction Permit from the relevant authority after the Chinese New Year in 2009. Construction cost will be financed by bank loan and internal funding of the project company.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing - There had been slight improvement in the occupancy rate of the Group's properties in this project.

## PROSPECTS

The financial tsunami which started in the third quarter of 2008 in the United States of America has spread to all parts of the world, leading to a downturn in the economies of China and Hong Kong. The decline in property value in Hong Kong is a reflection of this financial crisis.

In view of the above, the Group's rental income is likely to decline in the coming financial year.

In spite of the current adverse economic environment, the Group will continue to upgrade its property holdings to enhance their competitiveness in the rental market.

I take this opportunity to thank my colleagues on the Board and our staff members for their loyal service and contributions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and financial resources

The Group will maintain its conservative financial approach to the funding and treasury policies. At 30th September, 2008, the shareholders' funds were HK$1,727.7 million (2007: HK$1,679.1 million). The increase was mainly due to current year's profit attributable to the shareholders.

At 30th September, 2008, the Group's total borrowings which were denominated in Hong Kong dollars were HK$145 million, a decrease of HK$30.2 million from HK$175.2 million last year. The decrease was due to repayment of borrowings out of the net income from operating activities.

The maturity profile of the Group's total borrowings is set out as follows:

| | **30.9.2008** | 30.9.2007 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| Repayable: | | |
| Within one year | **53** | 79.2 |
| After one year but not exceeding two years | **92** | 4.0 |
| After two years but not exceeding five years | – | 92.0 |
| Total borrowings | **145** | 175.2 |

At 30th September, 2008, the Group had bank loans and overdraft of HK$142 million, which carried interest at prime rates/HIBOR plus/minus certain basis points. At 30th September, 2008, the debt to equity ratio, based on the Group's total borrowings of HK$145 million and its shareholders' funds of HK$1,727.7 million, was 8.4% (2007: 10.4%).

At 30th September, 2008, investment properties and properties for own use of the Group with an aggregate carrying value of HK$1,937 million and HK$3.6 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

At 30th September, 2008, the Group had undrawn banking facilities of HK$269 million which will provide adequate funding for the Group's operational and capital expenditure requirement.

At 30th September, 2007, the Group had contingent liabilities in respect of guarantees to the extent of HK$17 million issued to a bank for banking facilities granted to a subsidiary of the jointly controlled entity. The guarantee was released during the year.

**Employees**

At 30th September, 2008, the Group had 118 employees and the employee's cost including directors' emoluments for the year amounted to approximately HK$17.4 million (2007: HK$16.7 million). There was no change in employment and remuneration policies of the Group and the Group does not have any share option scheme for employees.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 23rd December, 2008 to Wednesday, 31st December, 2008 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 22nd December, 2008.

## CORPORATE GOVERNANCE

Throughout the year ended 30th September, 2008, the Company had complied with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for the following:

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although the independent non-executive directors of the Company are not appointed for a specific term, all directors of the Company are subject to retirement by rotation at least once every three years in accordance with Article 119 of the Company's Articles of Association.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 30th September, 2008.

## AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements for the year ended 30th September, 2008 with the executive directors.

**Wong Bing Lai**
*Chairman*

Hong Kong, 1st December, 2008

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wong Bing Lai (Chairman), Mr. Wong Tat Chang, Abraham (Managing Director), Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel as Executive Directors, and Mdm. Lam Hsieh Li Chen, Linda, Mr. Li Kwok Sing, Aubrey and Mr. Sit Hoi Wah, Kenneth as Independent Non-Executive Directors.*