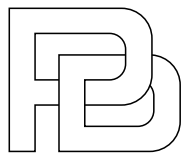


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## **POKFULAM DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 225)**

### **CONTINUING CONNECTED TRANSACTION**

#### **RENEWAL OF TENANCY**

On 28 July 2011, the Company as landlord and Elephant as tenant, entered into the New Tenancy Agreement in respect of renewal of the lease of the Premises for a term of three years commencing from 1 August 2011 upon the expiry of the existing lease under the Old Tenancy Agreement.

Elephant is a non-wholly owned subsidiary of the Company owned as to 51.91% by the Company, 47.84% by discretionary trusts of which the Executive Directors are beneficiaries, 0.1% by one of the Executive Directors and 0.15% by two independent third parties. Therefore, Elephant is a connected person of the Company and the New Tenancy Agreement constitutes a continuing connected transaction for the Company.

Since the highest applicable percentage ratio calculated with reference to the highest Annual Cap is more than 0.1% but less than 5%, the New Tenancy Agreement will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that the Company as landlord and Elephant as tenant, entered into the New Tenancy Agreement in respect of the lease of the Premises as detailed herein below:-

#### **NEW TENANCY AGREEMENT**

Date	:	28 July 2011
Landlord	:	The Company
Tenant	:	Elephant, a non-wholly owned subsidiary of the Company owned as to 51.91% by the Company, 47.84% by discretionary trusts of which the Executive Directors are beneficiaries, 0.1% by one of the Executive Directors and 0.15% by two independent third parties

Premises	:	3rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong
Gross floor area	:	Approximately 6,490 square feet
Term	:	Three years commencing from 1 August 2011 to 31 July 2014
Rent	:	HK\$97,000 per month payable to the Company monthly in advance on the 1st day of the month
Charges	:	HK\$27,907 per month for management and air-conditioning charges (subject to review at any time upon one month's notice to the tenant) payable to the management company of Beverly House monthly in advance on the 1st day of the month. Beverly, a wholly-owned subsidiary of the Company, is currently the sole agent and management company of Beverly House.
Government rates	:	To be paid by the tenant
Stamp duty and legal cost	:	To be shared equally between the landlord and the tenant

## ANNUAL CAPS

The aggregate amounts of the rentals and management and air-conditioning charges paid by Elephant to the Group under the Old Tenancy Agreement for each of the two financial years ended 30 September 2010 were HK\$1,486,884, HK\$1,486,884 respectively, and the same aggregate amounts for the period from 1 October 2010 to 31 July 2011 is HK\$1,239,070.

Based on (i) the monthly rent of HK\$97,000 payable to the Company under the New Tenancy Agreement from 1 August 2011 to 31 July 2014; and (ii) the monthly management and air-conditioning charges of initially HK\$27,907 under the New Tenancy Agreement commencing on 1 August 2011 with a buffer assuming approximately 10% annual increase for each of the financial years ending 30 September 2012, 2013 and 2014 as compared to the preceding financial year (i.e. HK\$30,698 for 2012; HK\$33,767 for 2013; and HK\$37,144 for 2014), the Annual Caps will be as follows:-

<b>Financial year ending 30 September:-</b>	<b>HK\$</b>
2011 ( <i>Note</i> )	249,814
2012	1,532,376
2013	1,569,204
2014	1,341,440

*Note: The amount of HK\$249,814 represents the maximum aggregate amount of the rent and management and air-conditioning charges payable by Elephant to the Group under the New Tenancy Agreement from 1 August 2011 to 30 September 2011.*

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTION**

The Group is principally engaged in property investment and management, property development, trading of visual and sound equipment, securities trading and investment holding. Elephant is a non-wholly owned subsidiary of the Company principally engaged in trading of visual and sound equipment and investment holding. Elephant has been leasing the Premises from the Company for use as its office premises. The existing lease under the Old Tenancy Agreement will expire on 31 July 2011.

The terms of the New Tenancy Agreement were reached on arm's length negotiation and the rental was determined with reference to the market rent of similar properties in proximity area together with the floor area leased. DTZ Debenham Tie Leung Limited, an independent property valuer, has opined that the rental under the New Tenancy Agreement is fair and reasonable.

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to enter into the New Tenancy Agreement to renew the existing tenancy as the Company would not suffer the inconvenience of re-marketing and any loss of rental income, the New Tenancy Agreement was entered into the ordinary and usual course of business of the Group, and the terms of the New Tenancy Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders.

## **IMPLICATIONS UNDER THE LISTING RULES**

Elephant is a non-wholly owned subsidiary of the Company owned as to 51.91% by the Company, 47.84% by discretionary trusts of which the Executive Directors are beneficiaries, 0.1% by one of the Executive Directors and 0.15% by two independent third parties. Therefore, Elephant is a connected person of the Company and the New Tenancy Agreement constitutes a continuing connected transaction for the Company.

Since the highest applicable percentage ratio calculated with reference to the highest Annual Cap is more than 0.1% but less than 5%, the New Tenancy Agreement will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the Executive Directors considered themselves to have a material interest in the New Tenancy Agreement and therefore they were absent from the meeting of the Board convened for considering and approving the New Tenancy Agreement.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:-

- |               |   |
|---------------|---|
| “Annual Caps” | the maximum aggregate annual amounts of the rentals and management and air-conditioning charges payable by Elephant to the Group under the New Tenancy Agreement for each of the financial years ending 30 September 2011, 2012, 2013 and 2014; |
| “Beverly”     | Beverly Investment Co. Ltd., a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;  |

“Board”	the board of Directors;
“Company”	Pokfulam Development Company Limited, a limited liability company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“Elephant”	Elephant Holdings Limited, a company incorporated in Hong Kong, owned as to 51.91% by the Company, 47.84% by discretionary trusts of which the Executive Directors are beneficiaries, 0.1% by one of the Executive Directors and 0.15% by two independent third parties;
“Executive Directors”	Mr. Wong Tat Chang, Abraham, Mr. Wong Tat Kee, David and Mr. Wong Tat Sum, Samuel, who are the Executive Directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Tenancy Agreement”	a tenancy agreement dated 28 July 2011 and made between the Company as landlord and Elephant as tenant in respect of the lease of the Premises;
“Old Tenancy Agreement”	a tenancy agreement dated 31 July 2008 and made between the Company as landlord and Elephant as tenant in respect of the lease of the Premises;
“Premises”	3rd Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Hong Kong, 28 July 2011

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