



POKFULAM DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 225)

ANNOUNCEMENT

The Board of Directors announces that the audited consolidated results of the Company and its subsidiaries (together "the Group") for the year ended 30th September, 2004 together with comparative figures for the corresponding period in 2003 as follows: –

CONSOLIDATED INCOME STATEMENT

For the year ended 30th September, 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	2	78,488	75,339
Cost of rental and other operations		(23,399)	(23,985)
Cost of goods sold		(18,639)	(12,918)
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		36,450	38,436
Gain on disposal of investment property		8,393	–
Unrealised holding gain on trading securities		3,252	1,890
Other operating income		1,124	860
Losses on properties and investment securities	3	(13,085)	(1,537)
Selling and marketing expenses		(1,246)	(1,262)
Administrative expenses		(7,408)	(7,130)
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Profit from operations	4	27,480	31,257
Finance costs			
Interest and other financial expenses	5	(3,890)	(8,674)
Exchange loss on foreign currency borrowings		(1,433)	(3,045)
Share of profit (loss) of a jointly controlled entity		417	(3,500)
		<hr/>	<hr/>
Profit before taxation		22,574	16,038
Taxation	6	(4,414)	(5,394)
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Profit before minority interests		18,160	10,644
Minority interests		5,133	(354)
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Net profit for the year		23,293	10,290
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Dividends	7	11,018	7,713
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		HK cents	HK cents
Earnings per share – basic	8	21.1	9.3
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NOTES

1. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

The Group has adopted Statement of Standard Accounting Practice 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The new accounting policy has been applied retrospectively and the prior period's comparative figures have been restated accordingly.

As a result of this change in accounting policy, the retained profits of the Group at 1st October, 2003 has been decreased by HK\$8,015,000 (1.10.2002: HK\$6,279,000). The investment property revaluation reserve and deferred tax liabilities of the Group at 1st October, 2003 have been increased by HK\$3,340,000 (1.10.2002: HK\$2,658,000) and HK\$4,675,000 (1.10.2002: HK\$3,621,000) respectively.

The adoption of SSAP 12 (Revised) has resulted in a decrease in the net profit of the Group for the year of HK\$1,267,000 (2003: HK\$1,736,000).

2. SEGMENT INFORMATION

Business segment

The businesses based upon which the Group reports its primary segment information are as follows:

Property investment and management	–	letting of commercial and residential properties
Property development	–	development and sale of properties
Trading of goods	–	trading of visual and sound equipment
Securities dealing	–	dealings in listed securities
Investment holding	–	investment in unlisted equity securities for long term strategic purposes

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Segment information about these businesses is presented below:

Revenue and results

Year ended 30th September, 2004

	Property investment and management HK\$'000	Property development HK\$'000	Trading of goods HK\$'000	Securities dealing HK\$'000	Investment holding HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE	46,772	–	29,584	532	1,600	–	78,488
External	991	–	–	–	–	–	–
Inter-segment	47,763	–	29,584	532	1,600	(991)	78,488

Inter-segment rentals are determined by management with reference to market rates.

SEGMENT RESULTS							
Operating	32,735	–	1,057	3,769	1,600	–	39,161
Gain on disposal of investment property	8,393	–	–	–	–	–	8,393
Losses on properties	–	(13,085)	–	–	–	–	(13,085)
Other operating income							34,469
Unallocated corporate expenses							88
Profit from operations							(7,077)
Finance costs							27,480
Share of profit of a jointly controlled entity	–	417	–	–	–	–	(5,323)
Profit before taxation							417
Taxation							22,574
Profit before minority interests							(4,414)
Minority interests							18,160
Net profit for the year							5,133
							23,293

Revenue and results

Year ended 30th September, 2003

	Property investment and management HK\$'000	Property development HK\$'000	Trading of goods HK\$'000	Securities dealing HK\$'000	Investment holding HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE	49,484	–	24,028	227	1,600	–	75,339
External	1,000	–	–	–	–	(1,000)	–
Inter-segment	50,484	–	24,028	227	1,600	(1,000)	75,339

Inter-segment rentals are determined by management with reference to market rates.

SEGMENT RESULTS							
Operating	34,938	–	900	2,052	1,600	–	39,490
Loss on investment securities	–	–	–	–	(1,537)	–	(1,537)
Other operating income							37,953
Unallocated corporate expenses							2
Profit from operations							(6,698)
Finance costs							31,257
Share of loss of a jointly controlled entity	–	(3,500)	–	–	–	–	(11,719)
Profit before taxation							(3,500)
Taxation							16,038
Profit before minority interests							(5,394)
Minority interests							10,644
Net profit for the year							(354)
							10,290

3. LOSSES ON PROPERTIES AND INVESTMENT SECURITIES

	2004 HK\$'000	2003 HK\$'000
Loss on		
Properties for development	13,085	–
Investment securities	–	1,537
	13,085	1,537

4. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	676	2,075
Interest income	(94)	(5)
Dividends from listed securities	(532)	(178)

5. INTEREST AND OTHER FINANCIAL EXPENSES

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans and overdrafts	3,148	7,031
Other loans wholly repayable within five years	512	758
Other financial expenses	230	885
	3,890	8,674

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6. TAXATION

	2004 HK\$ '000	2003 HK\$ '000
The tax charge comprises Hong Kong Profits Tax: Company and subsidiaries		
Current tax	2,931	3,189
Deferred tax	1,483	2,205
	<u>4,414</u>	<u>5,394</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

7. DIVIDENDS

	2004 HK\$ '000	2003 HK\$ '000
Interim dividend, paid		
2 cents (2003: 2 cents) per ordinary share	2,204	2,204
Final dividend, proposed		
8 cents (2003: 5 cents) per ordinary share	8,814	5,509
	<u>11,018</u>	<u>7,713</u>

The final dividend of 8 cents (2003: 5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$23,293,000 (2003: HK\$10,290,000 (restated)) and on 110,179,385 (2003: 110,179,385) ordinary shares in issue during the year.

The adjustment to comparative basic earnings per share, arising from the change in accounting policy shown in note 1, is as follows:

Reconciliation of 2003 basic earnings per share

	HK cents
Basic earnings per share as previously stated	10.9
Adjustment arising from the adoption of SSAP 12 (Revised)	(1.6)
Basic earnings per share as restated	<u>9.3</u>

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, 2004 was HK\$23.3 million as compared with the net profit of HK\$10.3 million for the previous year. The last year's net profit has been adjusted for deferred taxation of HK\$1.7 million. The increase in profit was mainly attributable to the profit generated on the sale of an investment property and the substantial decrease in finance cost, after making provisions for losses totaling HK\$7.56 million attributable to the Group's share in the two development projects in Zhong Shan City, China, and in Lagoon City, Ontario, Canada, respectively.

DIVIDEND

The Board has recommended the payment of a final dividend of 8 cents per share to shareholders whose names appear on the Register of Members of the Company on 31st December, 2004. This together with the interim dividend of 2 cents per share paid on 28th July, 2004, will give a total dividend of 10 cents per share for the whole year. Upon approval at the Annual General Meeting, the proposed final dividend of 8 cents per share will be paid on 3rd January, 2005.

BUSINESS REVIEW

A. Hong Kong

The major portion of the Group's profit for the financial year under review was derived from the rental income of the Group's investment properties in Hong Kong. The Hong Kong property prices had generally risen since the beginning of year 2004, with the largest gain recorded in the high-end residential sector. However, there had been a decrease in rental rate of the Group's properties up to the middle of 2004, especially in the office sector. This was due to the abundance of new supplies of rental properties in Hong Kong and the decreased rental rate was a reflection of the very competitive situation. As a result, the overall rental income of the Group for the year under review was slightly less than that of last year.

Elephant Holdings Limited, a subsidiary of the Group, which specializes in audio/video engineering, high-end audio and cinema system, recorded an increase in sales revenue and continued to contribute profit to the Group for the year under review.

Wah Ming Hong Holdings Limited, in which the Group has a minority interest, enjoyed a growth in business and profit. The company owns and markets the Swiss brand 'ENICAR' watch.

B. Projects in the Mainland and Overseas

Silver Gain Plaza in Guangzhou (in which the Group has one-third interest) – With the improvement of the local economy, there has been an increase in demand for residential properties in Guangzhou. In order to meet the market requirement, the originally planned office tower in Phase II of this project is to be re-designed into a residential tower. The re-design work for the tower in Phase II together with the design and planning for Phase III had already started. Approval of the re-designed plan by relevant Government authorities is required before construction work can commence.

Residential units in Vivaldi Court of Manhattan Garden, Chao Yang District, Beijing – The occupancy rate of the properties in this project had improved over that of the previous year. However, the rental rate continued to be adversely affected by the on- and off- construction in the adjacent sites and the abundance in new supply of residential properties in Beijing.

Development Project in Zhong Shan city, Guangdong – The development of this project had been suspended due to unforeseeable market condition. Recently, the local government authority had offered to buy back the property. In view of the severe over-supply of all sorts of properties and lack of demand in that area, the Group and the partners of this project are now in negotiation to sell the project back to the local authority. However, due to the low offered price, a further provision for loss of HK\$7.9 million had been made by the project company of which 30% is attributable to the Group.

Lagoon City, Ontario, Canada – During the year, the Group's land in Canada which was held for future development jointly with a local developer, was sold by the mortgagee to recover the amount owed to them by the local developer. The land was originally paid for in 1993 subject to a charge against which an indemnity was given in favour of the Group by the local developer which was also the vendor. The matter has been referred to the Group's lawyers in Canada. Nevertheless, the Directors consider it prudent to make full provision against the cost of the land. Accordingly, an additional provision for loss of HK\$5.2 million has been made in the current year's financial statements.

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PROSPECTS

Hong Kong's economy has improved during the second half of the financial year under review. In the two months preceding the date of this report, there has been improvement in the occupancy of the Group's Hong Kong properties, but with only a slight increase in rental rate for the new leases. This moderate improvement against a background of substantial increase in overall property sale price since the beginning of 2004 is a reflection of the abundance in supply of rental properties in Hong Kong.

In view of the above, the Group's rental income is expected to have a moderate increase in the coming financial year, barring any increase in interest rate or any unforeseen adverse factor.

The Group will continue to upgrade its property holdings to enhance their competitiveness in the rental market. In view of the fact that property prices in Hong Kong had risen to a very high level, the Group would take a cautious attitude when looking for investment opportunities.

I take this opportunity to thank my colleagues on the Board and our staff members for their loyal services 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, 2004, the shareholders' funds were HK\$1,201.1 million, an increase of HK\$354.5 million from HK\$846.6 million at 30th September, 2003. The increase was mainly due to the upward revaluation of the Group's investment properties.

At 30th September, 2004, the Group's total borrowings which were denominated in Hong Kong dollars were HK\$261 million, a decrease of HK\$7.2 million from HK\$268.2 million last year. The borrowings of HK\$114.9 million were repayable within one year, a decrease of HK\$144.1 million from HK\$259 million at 30th September, 2003. The decrease was mainly due to the extension of a secured bank loan of HK\$150 million to repay over a period of three years. The borrowings of HK\$3 million were due for repayment after one year but within two years and the remaining portion of HK\$143.1 million were repayable after two years. At 30th September, 2004, interest on bank overdraft of HK\$0.1 million was based on the prime rate, whereas interest on remaining borrowings of HK\$260.9 million was calculated at HIBOR plus a margin. At 30th September, 2004, the debt to equity ratio, based on the Group's total borrowings of HK\$261 million and its net assets value of HK\$1,201.1 million, was 21.7%, as compared with 31.7% on 30th September, 2003. The decrease was mainly due to the upward revaluation of the Group's investment properties as mentioned above.

Certain investment properties of the Group with an aggregate carrying value of HK\$1,317 million were pledged to banks to secure the general banking facilities granted to the Group.

As at 30th September, 2004, the Group had undrawn banking facilities of HK\$185 million which will provide adequate funding for the Group's operational and capital expenditure requirement.

As at 30th September, 2004, the Group had contingent liabilities in respect of guarantees issued to secure bank loans to the extent of HK\$15 million granted to the subsidiary of the Group's jointly controlled entity. The extent of banking facilities utilised by the subsidiary of the jointly controlled entity and guaranteed by the Group at 30th September, 2004 was approximately HK\$15 million.

EMPLOYEES

At 30th September, 2004, the Group had 121 employees and the employee's cost including directors' emoluments for the year amounted to approximately HK\$15.9 million which was lower than that of last year. 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 Friday, 24th December, 2004 to Friday, 31st December, 2004, both days inclusive, during which period no transfer of shares will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DETAILS OF FINANCIAL INFORMATION

The financial information required to be disclosed under paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited within 14 days following this announcement.

Wong Bing Lai
Chairman

Hong Kong, 24th November, 2004

As at the date of this announcement, the board 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, Mdm. Chan Ho Lai Kuen and Mr. Li Kwok Sing, Aubrey as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard dated 25 November 2004.