

# Directors' Report

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The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2003.

## PRINCIPAL ACTIVITIES

The Company continues to carry on the business of investment holding and property investment in Hong Kong. Activities of the subsidiary company and associated companies are set out in notes 11 and 12 to the financial statements respectively.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2003 are set out in the consolidated profit and loss account on page 13. A commentary on annual results is included in the chairman's business review on page 10.

An interim dividend of HK\$0.70 per share was paid in July 2003 absorbing HK\$17,500,000. The directors propose the payment of a final dividend of HK\$0.80 per share, totalling HK\$20,000,000 and recommend that the retained profit of the Company, amounting to HK\$25,052,000 at 30 September 2003 be carried forward.

## DONATIONS

The Group made charitable donations of HK\$5,000 (2002: HK\$2,000) during the year.

## FIXED ASSETS

Details of the movements in fixed assets and particulars regarding the investment properties held by the Group are shown in note 10 to the financial statements.

## RESERVES

Details of the movements in reserves are set out in note 18 to the financial statements.

## DIRECTORS

The Directors during the financial year and at the date of this report are:-

Dato' Dr. Cheng Yu Tung

Mr. Chung Ming Fai

Mr. Yuen Pak Yiu, Philip

Dr. Fong Yun Wah

Mr. Chung Yin Shu, Frederick

Mr. Chung Wai Shu, Robert

Mr. Lo Pak Shiu

In accordance with Article 103 of the Articles of Association of the Company, Dato' Dr. Cheng Yu Tung and Mr. Chung Wai Shu, Robert retire by rotation and, being eligible, offer themselves for re-election.

# Directors' Report (Cont'd)

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiary company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

No loan was made during the financial year to the Company's Directors or officers or bodies corporate controlled by them either by the Company or by its subsidiary company or by a third party on the security or guarantee of the Company or its subsidiary company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following Directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") as set out below:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the Group	Nature of interest of the Director in the entity
Dato' Dr. Cheng Yu Tung	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
	New World Development Company Limited group of companies	Property investment	Director
	Shun Tak Holdings Limited group of companies	Property investment	Director
Mr. Chung Ming Fai	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Yin Shu, Frederick	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Wai Shu, Robert	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Dr. Fong Yun Wah	Hip Shing Hong Development Company Limited	Property investment	Director
	Kam Wah Investment Company Limited	Property investment	Director

As the board of Directors of the Company is independent of the board of these entities, the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of these entities.

# Directors' Report (Cont'd)

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## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or its subsidiary company a party to any arrangements to enable the Directors or Chief Executive (including their spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiary company not terminable within one year without the payment of a compensation (other than statutory compensation).

## DISCLOSURE OF INTERESTS

At 30 September 2003, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:-

	Number of shares held		Approximate percentage of shareholding
	Personal interests	Corporate interests	
<b>Directors</b>			
Dato' Dr. Cheng Yu Tung (note a)	–	–	–
Mr. Chung Ming Fai	12,000,500	1,000 (note b)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	–	0.01%
<b>Chief Executive</b>			
Mr. Ho Tak Him	1,000	–	–

### Notes:

- (a) Dato' Dr. Cheng Yu Tung is a shareholder of Chow Tai Fook Enterprises Limited, which, together with its associated companies, has a beneficial interest in 6,762,750 shares of the Company.
- (b) Mr. Chung Ming Fai controls more than one-third of the voting power of Fu Hop Investment Company Limited which held 1,000 shares in the Company.

Save for the interests in shares referred to above, no other person is recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company as at 30 September 2003.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

# Directors' Report (Cont'd)

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## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers was less than 30%.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 54%, of which 22% was made from the Group's largest supplier.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the share capital of the suppliers or customers noted above.

## AUDIT COMMITTEE

An Audit Committee has been established for the purpose of reviewing and providing supervision on the Company's financial reporting process and internal controls. The composition of the Audit Committee is shown on page 4.

## CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

## AUDITORS

The financial statements have been audited by Messrs. PricewaterhouseCoopers and H. C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Dato' Dr. Cheng Yu Tung**  
Chairman

Hong Kong, 18 December 2003