

# 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 2008.

## 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 15 and 16 to the financial statements respectively.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2008 are set out in the consolidated income statement on page 18. A commentary on annual results is included in the Chairman's business review on page 14.

An interim dividend of HK\$1.20 per share was paid in July 2008, totalling HK\$30,000,000. The Directors propose the payment of a final dividend of HK\$2.20 per share, totalling HK\$55,000,000, and recommend that the retained profits of the Company, amounting to HK\$1,932,928,000 at 30 September 2008, be carried forward.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

## RESERVES

Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 23 to the financial statements respectively.

Distributable reserves of the Company at 30 September 2008 amounted to HK\$1,987,928,000 (2007: HK\$1,728,240,000).

## 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  
Mr. Yuen Sik Ming, Patrick

In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu Tung, Mr. Chung Ming Fai and Dr. Fong Yun Wah, retire by rotation and, being eligible, offer themselves for re-election.

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## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 25 of the financial statements, no other 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 body 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.

## CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the year and up to the date of this report are set out below:-

- (1) On 1 August 2006, the Company as Lessor and Promising Realty Limited ("PR") as Lessee renewed a lease agreement, pursuant to which the Lessee leased Rooms 2401-2411 on 24th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "PR Premises") from the Lessor for a fixed term of two years from 1 August 2006 to 31 July 2008 at a monthly rental of HK\$132,552 with monthly air-conditioning charges and management fees of HK\$32,822.

The lease agreement was renewed on 1 August 2008 for a fixed term of two years from 1 August 2008 to 31 July 2010 at a monthly rental of HK\$220,920 with monthly air-conditioning charges and management fees of HK\$35,978.

The PR Premises, the subject of the lease agreement, is owned by the Company. PR is a company which shares are ultimately owned by two executive Directors, namely Mr. Chung Ming Fai and Mr. Chung Yin Shu, Frederick, and a non-executive Director, namely Mr. Chung Wai Shu, Robert, and their associates and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The total amount received from PR during the year ended 30 September 2008 under the lease agreements amounted to HK\$2,189,628.

- (2) On 5 March 2007, the Company as Lessor and Foo Hang Jewellery, Limited ("FH") as Lessee renewed a lease agreement, pursuant to which the Lessee would lease Rooms 1806-1814 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "FH Premises") from the Lessor for a fixed term of two years from 1 March 2007 to 28 February 2009 at a monthly rental of HK\$121,214 with monthly air-conditioning charges and management fees of HK\$24,716.

The FH Premises, the subject of the lease agreement, is owned by the Company. FH is a company which shares are owned by the associates of Mr. Lo Pak Shiu, an independent non-executive Director and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The total amount received from FH during the year ended 30 September 2008 under the lease agreement amounted to HK\$1,772,580.

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## CONTINUING CONNECTED TRANSACTIONS (Continued)

- (3) On 5 March 2007, the Company as Lessor and Wah Lai Investment Company Limited ("WL") as Lessee renewed a lease agreement, pursuant to which the Lessee would lease Rooms 1801-1805 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "WL Premises") from the Lessor for a fixed term of two years from 1 March 2007 to 28 February 2009 at a monthly rental of HK\$96,956 with monthly air-conditioning charges and management fees of HK\$19,774.

The WL Premises, the subject of the lease agreement, is owned by the Company. WL is a company which shares are ultimately owned by Mr. Lo Pak Shiu, an independent non-executive Director, and his associates and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The total amount received from WL during the year ended 30 September 2008 under the lease agreement amounted to HK\$1,417,842.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the continuing connected transactions stated above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings based on the agreed procedures performed to the Board of Directors of the Company that the transactions:

- (a) have been approved by the Board of Directors of the Company;
- (b) have been entered into in accordance with the pricing policies of the Company; and
- (c) have been entered into in accordance with the relevant agreements governing such transactions.

An announcement relating to the continuing connected transactions stated above was first made on 6 January 2009. As no annual caps in respect of these three lease agreements for the financial year ended 30 September 2008 were disclosed by the Company in previous announcements, the auditors were unable to confirm the matter as required under Rule 14A.38(4) of the Listing Rules.

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## 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 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.

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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).

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2008, 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 Issuers, were as follows:-

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

### Note:

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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2008, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, Chow Tai Fook Enterprises Limited ("CTF") had interest in 5% or more of the issued share capital of the Company. CTF, together with its associated companies, has a beneficial interest in 6,731,250 shares of the Company, representing 26.93% of the Company's issued share capital.

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 2008.

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## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor its subsidiary company has purchased or sold any of the Company's shares during the year.

## **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.

## **SUFFICIENCY OF PUBLIC FLOAT**

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate turnover during the year attributable to the Group's five largest customers was 31%, of which 10% was derived from the Group's largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 56%, of which 20% 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 customers or suppliers 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 results for the year have been reviewed by the Audit Committee. The composition of the Audit Committee is shown on page 3.

## **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, 13 January 2009