

## Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31st March, 2001.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and distribution of food and beverages.

The analysis of the principal activities and geographical locations of the Group's operations during the year are dealt with in note 3 on the accounts.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2001 are set out in note 11 on the accounts.

### ACCOUNTS

The profit of the Group for the year ended 31st March, 2001 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 31 to 70.

An interim dividend of HK2.8 cents per share (2000: HK2.5 cents per share, adjusted for the bonus issue in September 2000) was paid on 29th December, 2000. The Directors now recommend the payment of a final dividend of HK5.1 cents per share (2000: HK4.5 cents per share, adjusted for the bonus issue in September 2000) in respect of the year ended 31st March, 2001.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year 36% of turnover and 35% of purchases (not including items which are of a capital nature) were attributable to the Group's five largest customers and suppliers respectively. 15% of turnover was attributable to the Group's largest customer and 24% of purchases was attributable to the Group's largest supplier.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

### CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$161,000 (2000: HK\$1,208,000).

## Report of the Directors (continued)

### FIXED ASSETS

Movements in fixed assets of the Company and the Group during the year are set out in note 10 on the accounts.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Company and the Group as at 31st March, 2001 are set out in notes 18 and 20 on the accounts.

### SHARE CAPITAL

During the year, the Company issued 324,777,000 shares by way of a bonus issue on the basis of one new share for every two existing shares held on 6th September, 2000, and 196,000 shares on exercise of options granted under the Company's share option scheme.

Movements in share capital of the Company during the year are set out in note 22 on the accounts.

### RESERVES

Movements in reserves of the Company and the Group during the year are set out in note 23 on the accounts.

### DIRECTORS

The Directors in office during the year and up to the date of this report are set out on pages 2, 19 and 20.

In accordance with Article 104 of the Company's Articles of Association, Messrs. Chi-kian Shiu, Eric Fat Yu and John Shek-hung Lau retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligation.

Non-executive Directors are appointed under the same terms for rotational retirement as other Directors, pursuant to the Articles of Association of the Company.

## DIRECTORS' INTERESTS IN SHARES

The Directors who held office at 31st March, 2001 had the following interests in the issued share capital of the Company at that date as recorded in the register as required under section 29 of the Securities (Disclosure of Interests) Ordinance (including interests which they are taken and deemed to have under that Ordinance):

Name	Type of interests and number of ordinary shares of HK\$0.25 each				
	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Mr. Winston Yau-lai Lo (Notes 1, 5 and 6)	11,188,500	28,702,500	—	109,670,550	149,561,550
Mr. Frank Yau-yee Lo (Notes 2 and 6)	461,250	—	—	112,140,750	112,602,000
Ms. Yvonne Mo-ling Lo (Notes 3 and 6)	31,866,450	843,750	—	72,678,300	105,388,500
Ms. Myrna Mo-ching Lo (Notes 4 and 6)	—	—	27,974,700	72,678,300	100,653,000
Mr. Chi-kian Shiu (Note 5)	3,281,400	—	—	4,426,950	7,708,350
Mr. John Shek-hung Lau (Note 5)	15,000	—	—	4,426,950	4,441,950
Mr. Eric Fat Yu (Note 5)	75,000	—	—	4,426,950	4,501,950
Mr. Eoghan Murray McMillan	750,000	—	—	—	750,000
Dr. David Kwok-po Li	1,500,000	—	—	—	1,500,000
Mr. Fransis Ming-yin Kong	3,000	—	—	—	3,000

Notes:

- Mr. Winston Yau-lai Lo is interested in 32,565,300 shares held by The Bank of East Asia (Nominees) Limited, 1,875,000 shares held by his wife and 26,827,500 shares held by HKSCC Nominees Limited in trust for his wife.
- Mr. Frank Yau-yee Lo is interested in 39,462,450 shares held by Benson Corporation which is the trustee of the Benson Unit Trust, the beneficiaries of which are members of his family.
- Ms. Yvonne Mo-ling Lo is interested in 843,750 shares held in name of Yvonne Wong who holds the shares in trust for Ms. Yvonne Mo-ling Lo's daughter who is under the age of 18.
- Ms. Myrna Mo-ching Lo is interested in 27,974,700 shares held by Supreme Luck Holdings Limited which in turn holds such shares in trust for The Lo Kwee Seong 1987 Trust. Ms. Myrna Mo-ching Lo is a director of Supreme Luck Holdings Limited.
- Each of Mr. Winston Yau-lai Lo, Mr. Chi-kian Shiu, Mr. John Shek-hung Lau and Mr. Eric Fat Yu are trustees of the Group's staff provident fund scheme, which holds 4,426,950 shares, and are therefore deemed to be interested in such shares.
- Each of Mr. Winston Yau-lai Lo, Mr. Frank Yau-yee Lo, Ms. Yvonne Mo-ling Lo and Ms. Myrna Mo-ching Lo are interested in 72,678,300 shares held by The Bank of East Asia (Nominees) Limited which holds such shares as a nominee for the K.S. Lo Foundation. Each of them are trustees of the K.S. Lo Foundation and are therefore deemed to be interested in such shares.

## Report of the Directors (continued)

### DIRECTORS' INTERESTS IN SHARES (continued)

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company, none of the Directors or their respective associates had any interest in any shares in or debentures of the Company or any of its associates within the meaning of the Securities (Disclosure of Interests) Ordinance.

### DIRECTORS' RIGHTS TO PURCHASE SHARES

The Directors of the Company had the following personal interests as at 31st March, 2001 in options to subscribe for shares of HK\$0.25 each in the Company granted for consideration of HK\$10 for each grant of options under the share option scheme of the Company. In accordance with the terms of the scheme, the number of options and exercise price have been adjusted following the bonus issue of shares (note 22(b)) during the year:

Name of Director	Date granted	Period during which options are exercisable	Price per share to be paid on exercise of options HK\$	Number of options outstanding at the year end
Mr. Winston Yau-lai Lo	28th June, 1994	31/5/1995 – 31/5/2001	1.435	1,792,500
	28th June, 1998	1/8/1998 – 31/7/2003	1.104	2,737,500
	4th July, 2000	7/9/2000 – 31/8/2005	1.193	3,450,000
Ms. Yvonne Mo-ling Lo	28th June, 1994	31/5/1995 – 31/5/2001	1.435	2,400,000
	3rd September, 1996	4/9/1996 – 3/9/2001	1.275	813,750
	28th June, 1998	1/8/1998 – 31/7/2003	1.104	2,250
	4th July, 2000	7/9/2000 – 31/8/2005	1.193	2,331,000
Mr. Eric Fat Yu	28th June, 1994	31/5/1995 – 31/5/2001	1.435	2,137,500
	3rd September, 1996	4/9/1996 – 3/9/2001	1.275	723,750
	28th June, 1998	1/8/1998 – 31/7/2003	1.104	1,245,000
	4th July, 2000	7/9/2000 – 31/8/2005	1.193	1,953,000
Mr. John Shek-hung Lau	28th June, 1994	31/5/1995 – 31/5/2001	1.435	2,137,500
	3rd September, 1996	4/9/1996 – 3/9/2001	1.275	723,750
	28th June, 1998	1/8/1998 – 31/7/2003	1.104	1,305,000
	4th July, 2000	7/9/2000 – 31/8/2005	1.193	1,953,000
Mr. Fransis Ming-yin Kong	28th June, 1994	31/5/1995 – 31/5/2001	1.435	2,400,000
	3rd September, 1996	4/9/1996 – 3/9/2001	1.275	813,750
	28th June, 1998	1/8/1998 – 31/7/2003	1.104	1,478,250
	4th July, 2000	7/9/2000 – 31/8/2005	1.193	2,331,000

### **DIRECTORS' RIGHTS TO PURCHASE SHARES** (continued)

Consideration of HK\$50 (2000: Nil) has been received during the year for options granted. None of the Directors exercised their options to acquire shares during the year.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

The Company has been notified, in addition to Mr. Winston Yau-lai Lo, Mr. Frank Yau-yee Lo, Ms. Yvonne Mo-ling Lo and Ms. Myrna Mo-ching Lo as stated under "Directors' interests in shares" above, of the following interests in the Company's issued shares at 31st March, 2001 amounting to 10% or more of the shares in issue, as recorded in the register required to be kept pursuant to section 16(1) of the Securities (Disclosures of Interests) Ordinance (including interests which they are taken and deemed to have under that Ordinance):

	<b>Ordinary shares of HK\$0.25 each</b>	<b>Percentage of total issued shares</b>
Mr. Peter Tak-shing Lo	127,197,000	13.05%
Ms. Irene Chan	101,403,000	10.41%

Both Mr. Peter Tak-shing Lo and Ms. Irene Chan are interested in 72,678,300 shares held by The Bank of East Asia (Nominees) Limited which holds such shares as a nominee for the K.S. Lo Foundation. They are both the trustees of the K.S. Lo Foundation and are therefore deemed to be interested in such shares.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Company or any of its subsidiaries and associates was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Directors' and officers' liability insurance was maintained during the year.

## Report of the Directors (continued)

### SHARE OPTION SCHEME

On 9th March, 1994, the Company adopted a share option scheme under which the Directors may, at their discretion on or before 9th March, 2004, grant options to eligible Directors and employees to subscribe for shares of HK\$0.25 each in the Company. In accordance with the terms of the scheme, the number of options and exercise price have been adjusted following the bonus issue of shares (note 22(b)) during the year. At 31st March, 2001, the outstanding options granted under the scheme were:

Date granted	Period during which options are exercisable	Price per share to be paid on exercise of options HK\$	Number of shares acquired on exercise of options during the year	Number of options forfeited during the year on resignation of eligible employees	Number of options outstanding at the year end
28th June, 1994	31/5/1995 – 31/5/2001	1.435	—	1,008,750	18,086,250
3rd September, 1996	4/9/1996 – 3/9/2001	1.275	—	418,500	7,180,500
28th June, 1998	1/8/1998 – 31/7/2003	1.104	196,000	488,000	10,301,250
4th July, 2000	7/9/2000 – 31/8/2005	1.193	—	816,000	27,153,000

On 4th July, 2000, options were granted to eligible Directors and employees to subscribe for 27,969,000 shares in the Company at a subscription price of HK\$1.193 per share.

Consideration of HK\$510 (2000: Nil) has been received during the year for options granted.

### COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Details of the purchase by the Company of its own shares during the year are set out in note 22(d) on the accounts. The purchases were made in view of the depressed market for the shares to enhance the net asset value per share and earnings per share of the Company. Save as disclosed in note 22(d) on the accounts, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

### **FIVE YEAR SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 71 of the annual report.

### **AUDIT COMMITTEE**

The Committee was established in 1998 and comprises two independent Non-executive Directors and one Non-executive Director with written terms of reference. The present Committee members are Messrs. Eoghan Murray McMillan, David Kwok-po Li and Chi-kian Shiu. The Committee met twice during the year to review the internal audit programme and the plans for and results of the external audit, as well as to review the interim and annual reports of the Group.

### **AUDITORS**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Winston Yau-lai LO**

*Executive Chairman*

Hong Kong, 12th July, 2001