

REPORT OF THE DIRECTORS

董事會報告書

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2003.

Principal activities

The principal activities of the Company are the manufacture and distribution of food and beverages. The principal activities and other particulars of the subsidiaries are set out in note 16 on the financial statements.

The analysis of geographical locations of the operations of the Company and its subsidiaries ("the Group") during the year are set out in note 14 on the financial statements.

Financial statements

The profit and cash flows of the Group for the year ended 31st March, 2003 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 55 to 125.

An interim dividend of HK2.8 cents per share (2002: HK2.8 cents per share) was paid on 31st December, 2002. The Directors now recommend the payment of a final dividend of HK5.7 cents per share (2002: HK5.1 cents per share) and a special dividend of HK5.0 cents per share (2002: Nil).

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

董事會欣然提呈截至二零零三年三月三十一日止年度之年報及經審核財務報表。

主要業務

本公司之主要業務為製造及分銷食品及飲品。附屬公司之主要業務及其他詳情載於財務報表附註16。

本公司及其附屬公司（「本集團」）於本年度內按地區劃分之業務分析載於財務報表附註14。

財務報表

本集團截至二零零三年三月三十一日止年度之溢利與現金流量及本公司與本集團於該日之財務狀況載於第55至125頁之財務報表內。

本公司已於二零零二年十二月三十一日派發中期股息每股港幣2.8仙（二零零二年：每股港幣2.8仙）。董事會現建議派發末期股息每股港幣5.7仙（二零零二年：每股港幣5.1仙）及特別股息每股港幣5.0仙（二零零二年：無）。

主要客戶及供應商

以下所載為本年度主要客戶及供應商分別佔本集團銷售額及採購額之資料：

		Percentages of the Group's total	
		Sales 應佔本集團 銷售總額百分比	Purchases 應佔本集團 採購總額百分比
The largest customer	最大客戶	17%	
Five largest customers in aggregate	首五大客戶合計	39%	
The largest supplier	最大供應商		29%
Five largest suppliers in aggregate	首五大供應商合計		43%

Major customers and suppliers (continued)

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

Charitable donations made by the Group during the year amounted to HK\$781,000 (2002: HK\$96,000).

Fixed assets

Movements in fixed assets of the Company and the Group during the year are set out in note 15 on the financial statements.

Bank loans and bank overdrafts

Particulars of bank loans and bank overdrafts of the Company and the Group as at 31st March, 2003 are set out in note 22 on the financial statements.

Share capital

Movements in share capital of the Company during the year are set out in note 28 on the financial statements.

Reserves

Movements in reserves of the Company and the Group during the year are set out in note 29 on the financial statements.

Directors

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

In accordance with Article 104 of the Company's Articles of Association, Dr. The Hon. David Kwok-po Li, Mr. Frank Yau-yee Lo and Mr. Fransis Ming-yin Kong 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.

主要客戶及供應商(續)

各董事、彼等之聯繫人士或任何據董事會所知擁有本公司股本超過5%之本公司股東於本年度內概無擁有該等主要客戶及供應商之任何權益。

慈善捐款

本年度內本集團之慈善捐款共達港幣781,000元(二零零二年:港幣96,000元)。

固定資產

本公司及本集團於本年度內之固定資產變動詳情載於財務報表附註15。

銀行貸款及銀行透支

本公司及本集團於二零零三年三月三十一日之銀行貸款及銀行透支詳情載於財務報表附註22。

股本

本公司於本年度內之股本變動情況載於財務報表附註28。

儲備

本公司及本集團於本年度內之儲備變動情況載於財務報表附註29。

董事

於本年度內及截至本年報之日期各在任董事之名單載於第2頁。

根據本公司之章程細則第104條，李國寶博士、羅友義先生及江明彥先生須於應屆股東週年大會上輪值告退，並願膺選連任。

擬於應屆股東週年大會上膺選連任之董事並無與本公司或其任何附屬公司簽訂本公司或其任何附屬公司不得於一年內終止而不作出賠償(一般法定賠償除外)之服務合約。

REPORT OF THE DIRECTORS

董事會報告書

Directors (continued)

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 and rights to acquire shares

The Directors who held office at 31st March, 2003 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 (the "SDI Ordinance") (including interests which they are taken and deemed to have under that Ordinance):

董事 (續)

根據本公司之章程細則，非執行董事乃按與其他董事相同之輪值告退條款獲委任。

董事之股份權益及購買股份之權利

按照證券(披露權益)條例(「披露權益條例」)第29條保存之登記名冊記錄，於二零零三年三月三十一日之在職董事當日在本公司已發行股本中擁有下列權益(包括根據該條例被假設及視為擁有之權益)：

Name 姓名	Notes 附註	Type of interests and number of ordinary shares of HK\$0.25 each 權益性質及每股面值港幣0.25元之普通股數目				Total interests 權益總額
		Personal interests 個人權益	Family interests 家族權益	Corporate interests 公司權益	Other interests 其他權益	
Mr. Winston Yau-lai Lo 羅友禮先生	1, 5, 6	11,188,500	28,702,500	–	109,670,550	149,561,550
Mr. Frank Yau-yee Lo 羅友義先生	2, 6	461,250	–	–	112,140,750	112,602,000
Ms. Yvonne Mo-ling Lo 羅慕玲女士	3, 6	31,866,450	843,750	–	72,678,300	105,388,500
Ms. Myrna Mo-ching Lo 羅慕貞女士	4, 6	–	–	27,974,700	72,678,300	100,653,000
Mr. Chi-kian Shiu 邵志堅先生	5	3,281,400	–	–	4,426,950	7,708,350
Mr. John Shek-hung Lau 劉錫鴻先生	5	15,000	–	–	4,426,950	4,441,950
Mr. Eric Fat Yu 余發先生	5	75,000	–	–	4,426,950	4,501,950
Mr. Francis Ming-yin Kong 江明彥先生	5	1,481,000	–	–	4,426,950	5,907,950
Dr. The Hon. David Kwok-po Li 李國寶博士		2,000,000	–	–	–	2,000,000

Directors' interests in shares and rights to acquire shares (continued)

Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. Each of Mr. Winston Yau-lai Lo, Mr. Chi-kian Shiu, Mr. John Shek-hung Lau, Mr. Eric Fat Yu and Mr. Francis Ming-yin Kong are trustees of the Group's employee retirement plan, Vitasoy International Holdings Limited Staff Provident Fund, which holds 4,426,950 shares, and are therefore deemed to be interested in such shares.
6. 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.

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 SDI Ordinance.

The Directors of the Company had personal interests in options to subscribe for ordinary shares of HK\$0.25 each in the Company under the share option scheme. Particulars of the Directors' interests in options during the year and as at 31st March, 2003 are set out in the section "Share option schemes" below.

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.

董事之股份權益及購買股份之權利(續)

附註：

1. 羅友禮先生擁有由東亞銀行受託代管有限公司所持有之32,565,300股股份、由其妻室所持有之1,875,000股股份及由香港中央結算(代理人)有限公司以託管人身份代其妻室持有之26,827,500股股份之權益。
2. 羅友義先生擁有由Benson Corporation所持有之39,462,450股股份之權益，該公司為Benson Unit Trust之受託人，其家族成員為Benson Unit Trust之受益人。
3. 羅慕玲女士擁有以Yvonne Wong名義持有之843,750股股份之權益，Yvonne Wong以託管人身份代羅慕玲女士未滿十八歲之女兒持有該等股份。
4. 羅慕貞女士擁有由Supreme Luck Holdings Limited持有之27,974,700股股份之權益，該公司以託管人身份為The Lo Kwee Seong 1987 Trust持有該等股份。羅慕貞女士為Supreme Luck Holdings Limited之董事。
5. 羅友禮先生、邵志堅先生、劉錫鴻先生、余發先生及江明彥先生均為本集團僱員退休計劃(維他奶國際集團有限公司職員公積金計劃)之受託人，該計劃持有4,426,950股股份，因此彼等被視為擁有該等股份之權益。
6. 羅友禮先生、羅友義先生、羅慕玲女士及羅慕貞女士均擁有由東亞銀行受託代管有限公司以代理人名義代K. S. Lo Foundation持有之72,678,300股股份。彼等均為K. S. Lo Foundation之受託人，故被視為擁有該等股份之權益。

除上文所披露者及董事以託管人身份代本公司持有若干附屬公司之代理人股份外，各董事或彼等各自之聯繫人士概無在本公司或其任何聯營公司(定義見披露權益條例)之股份或債券中擁有任何權益。

本公司董事擁有根據購股權計劃獲授之購股權之個人權益，購股權可認購本公司每股面值港幣0.25元之普通股。董事於年內及於二零零三年三月三十一日之購股權權益詳情載於下文「購股權計劃」一節。

除上述者外，於本年度任何時間內，本公司或其任何附屬公司概無訂立任何安排，令本公司之董事或其配偶或未滿十八歲之子女可藉購入本公司或任何其他法人團體之股份或債券而獲益。

Share option schemes

Old share option scheme

On 9th March, 1994, the Company adopted a share option scheme (the "Old Share Option Scheme") under which the Directors may, at their discretion, grant options to employees and Directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.25 each in the Company. This scheme was valid for 10 years ending 8th March, 2004, unless otherwise cancelled or amended. The purpose of this scheme was to provide incentives and rewards to employees for their contribution to the Group. The principal terms of this scheme were as follows:

- The exercise price of the options is the higher of (a) the nominal amount of the shares and (b) an amount not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five business days immediately preceding the date of offer.
- The options are exercisable for a period to be notified by the Directors to each option holder, such period not to exceed 10 years from the date of grant.
- There is no minimum period which an option must be held before it can be exercised, but the Directors are empowered to impose at their discretion any such minimum period at the date of offer.
- The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company in issue from time to time (excluding shares issued under the share option scheme).
- The maximum aggregate number of shares over which options may be granted to any one participant, when added to the number of shares issued or issuable to that participant under the share option scheme must not exceed 25% of the maximum aggregate number of shares for the time being issued and issuable under the share option scheme.

購股權計劃

舊購股權計劃

於一九九四年三月九日，本公司採納一項購股權計劃（「舊購股權計劃」），據此，董事會可酌情向本公司或其任何附屬公司之僱員及董事授予購股權以認購本公司每股面值港幣0.25元之普通股。除非另行註銷或作出修訂，該計劃之有效期為十年，於二零零四年三月八日終止。該計劃旨在獎勵及回饋對本集團作出貢獻之僱員。該計劃之主要條款如下：

- 購股權之行使價須為以下兩者中之較高者：(a)股份之面值及(b)不少於股份於要約認購購股權日期前五個營業日在香港聯合交易所有限公司（「聯交所」）之平均收市價之80%。
- 購股權之行使期限由董事會知會每名購股權持有人，該期限由購股權授出日期起計不得超過十年。
- 購股權毋須先行持有一段最短期限方可行使，惟董事會獲授權可酌情於要約日期附加任何最短持有期。
- 所授出購股權可認購之股份數目最多不得超過本公司不時之已發行股本（不包括根據購股權計劃發行之股份）之10%。
- 授予任何參與者之購股權所能認購之股份數目，在與根據購股權計劃已發行或可發行予該名參與者之股份數目合計，最多不得超過根據購股權計劃當時已發行及可發行之股份最高總數之25%。

Share option schemes (continued)

Old share option scheme (continued)

- An offer of the grant of an option remains open for acceptance by an eligible Director or employee for a period of 28 days from the date of offer or such longer or shorter period as the Directors may in their discretion determine. An eligible Director or employee has to pay HK\$10 on acceptance of the option as a consideration.

As a result of the changes to Chapter 17 of the Main Board Listing Rules (the "Listing Rules") which governs the operation of share option schemes, the Company terminated the Old Share Option Scheme and adopted a new share option scheme (the "New Share Option Scheme") on 4th September, 2002. No further options will be granted under the Old Share Option Scheme upon its termination and all outstanding options granted thereunder shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

The total number of ordinary shares available for issue under the Old Share Option Scheme at 31st March, 2003 is 23,608,500 shares, which represents the outstanding options that have been granted but not yet lapsed or exercised, and it is 2.42% of the issued share capital of the Company at 31st March, 2003.

At 31st March, 2003, the Directors and employees of the Company had the following personal interests in options under the Old Share Option Scheme to subscribe for ordinary shares of the Company:

購股權計劃(續)

舊購股權計劃(續)

- 合資格之董事或僱員可於要約認購購股權日期起計28日或董事會酌情決定之較長或較短期間內接納購股權之要約。合資格之董事或僱員須於接納購股權時支付港幣10元作為代價。

由於監管購股權計劃運作之主板上市規則(「上市規則」)第17章作出變動，本公司於二零零二年九月四日終止舊購股權計劃及採納一項新購股權計劃(「新購股權計劃」)。本公司將於終止舊購股權計劃後不再根據該計劃授予任何購股權，而所有根據該計劃已授出之未行使購股權將維持有效及可根據舊購股權計劃之條款予以行使。

於二零零三年三月三十一日根據舊購股權計劃可供發行之普通股總數為23,608,500股，此乃已授出但尚未失效或行使之購股權所能認購之股份，佔本公司於二零零三年三月三十一日之已發行股本2.42%。

於二零零三年三月三十一日，本公司之董事及僱員在根據舊購股權計劃可認購本公司普通股之購股權中擁有如下個人權益：

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Share option schemes (continued)

Old share option scheme (continued)

購股權計劃(續)

舊購股權計劃(續)

Participants	Date granted	Period during which options are exercisable	Price per share on exercise of options HK\$ 行使 購股權時 須付之 每股價格 港元	Number of options at the beginning of the year 年初之 購股權數目	Number of options exercised during the year 年內之已行使 購股權數目	Number of options forfeited during the year on termination of employment of eligible participants 因終止僱用 合資格僱員而 於年內沒收之 購股權數目	Number of options outstanding at the year end 年終尚未行使 之購股權數目	Weighted average market price per share on exercise of options HK\$ 於行使 購股權時之每股 加權平均市價 港元
參與者	授出日期	購股權行使期						
Directors								
董事								
Mr. Winston Yau-lai Lo 羅友禮先生	28/6/1998 4/7/2000	1/8/1998 – 31/7/2003 7/9/2000 – 31/8/2005	1.104 1.193	2,737,500 3,450,000	– –	– –	2,737,500 3,450,000	– –
Mr. Eric Fat Yu 余發先生	28/6/1998 4/7/2000	1/8/1998 – 31/7/2003 7/9/2000 – 31/8/2005	1.104 1.193	1,245,000 1,953,000	– –	– –	1,245,000 1,953,000	– –
Mr. John Shek-hung Lau 劉錫鴻先生	28/6/1998 4/7/2000	1/8/1998 – 31/7/2003 7/9/2000 – 31/8/2005	1.104 1.193	1,305,000 1,953,000	– –	– –	1,305,000 1,953,000	– –
Mr. Fransis Ming-yin Kong 江明彥先生	28/6/1998 4/7/2000	1/8/1998 – 31/7/2003 7/9/2000 – 31/8/2005	1.104 1.193	1,478,250 2,331,000	1,478,000 –	– –	250 2,331,000	1.80 –
Eligible employees working under employment contracts 根據僱傭 合約工作之 合資格僱員	28/6/1998 4/7/2000	1/8/1998 – 31/7/2003 7/9/2000 – 31/8/2005	1.104 1.193	3,527,250 11,868,000	1,680,000 1,290,000	1,189,500 2,602,000	657,750 7,976,000	1.55 1.48
				31,848,000	4,448,000	3,791,500	23,608,500	

Share option schemes (continued)

New share option scheme

The New Share Option Scheme became effective on 4th September, 2002 and, unless otherwise cancelled or amended, remains in force for 10 years from that date. The Directors may, at their discretion, grant options to any employee of the Group, including Directors of any company in the Group, to subscribe for ordinary shares of HK\$0.25 each in the Company. The purpose and the terms of the New Share Option Scheme are the same as the Old Share Option Scheme, except the following:

- The exercise price of the options is the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.
- The maximum number of shares which may be issued upon exercise of all options to be granted must not exceed 10% of the shares in issue on the date of approval and adoption of the scheme.
- The total number of shares issued and which may fall to be issued upon exercise of the options granted (including exercised, cancelled and outstanding options) to any one participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The total number of ordinary shares available for issue under the New Share Option Scheme is 97,409,550 shares, which represents 9.97% of the issued share capital of the Company at 31st March, 2003. No options were granted under the New Share Option Scheme during the year.

Subsequent to the year end date, the Company granted 13,954,000 options to eligible participants under the New Share Option Scheme on 1st April, 2003.

購股權計劃(續)

新購股權計劃

新購股權計劃於二零零二年九月四日生效，除非另行註銷或作出修訂，該計劃由當日起計為期十年。董事會可酌情向本集團任何僱員(包括本集團旗下任何公司之董事)授予購股權，以使認購本公司每股面值港幣0.25元普通股。除以下所述者外，新購股權計劃之目的及條款與舊購股權計劃相同：

- 購股權之行使價為下列三者中之最高價：(a)股份於授出日期(當日必須為營業日)在聯交所錄得之收市價；(b)股份於截至授出日期止過去五個營業日在聯交所錄得之平均收市價；及(c)股份之面值。
- 就行使全部將授予之購股權而可予發行之股份數目，最多不得超過批准及採納計劃當日之已發行股份10%。
- 於截至授出日期止之任何12個月期間內，就行使授予任何參與者之購股權(包括已行使、已註銷及未行使之購股權)而已發行及須予發行之股份總數，不得超過於授出日期之已發行股份1%。

根據新購股權計劃可供發行之普通股總數為97,409,550股，佔本公司於二零零三年三月三十一日之已發行股本9.97%。年內本公司並無根據新購股權計劃授予任何購股權。

於年度結算日之後，本公司於二零零三年四月一日根據新購股權計劃向合資格參與者授予13,954,000項購股權。

REPORT OF THE DIRECTORS

董事會報告書

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-yeo Lo, Ms. Yvonne Mo-ling Lo and Ms. Myrna Mo-ching Lo as set out in the section "Directors' interests in shares and rights to acquire shares" above, of the following interests in the Company's issued shares at 31st March, 2003 amounting to 10% or more of the ordinary shares in issue, as recorded in the register required to be kept pursuant to section 16(1) of the SDI Ordinance (including interests which they are taken and deemed to have under that Ordinance):

		Ordinary shares of HK\$0.25 each 所持每股面值 港幣0.25元普通股數目	Percentage of total issued shares 佔已發行股本 總額百分比
Mr. Peter Tak-shing Lo	羅德承先生	127,197,000	13.02%
Ms. Irene Chan	陳羅慕連女士	101,403,000	10.38%

Both Mr. Peter Tak-shing Lo and Ms. Irene Chan are interested in 72,678,300 ordinary 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 associate 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.

於本公司股本之主要權益

按本公司接獲之知會，除上文「董事之股份權益及購買股份之權利」一節所載之羅友禮先生、羅友義先生、羅慕玲女士及羅慕貞女士外，於二零零三年三月三十一日所持本公司已發行股份中佔已發行普通股10%或以上，而須列入披露權益條例第16(1)條規定須予存置之登記冊內之權益（包括根據該條例被假設及視為擁有之權益）如下：

羅德承先生及陳羅慕連女士均擁有由東亞銀行受託代管有限公司以代理人名義代K. S. Lo Foundation持有之72,678,300股普通股。彼等均為K. S. Lo Foundation之受託人，故被視為擁有該等股份之權益。

董事於合約之權益

本公司或其任何附屬公司及聯營公司概無於本年度終結時或年內任何時間訂立本公司董事於其中直接或間接擁有重大權益之重要合約。

董事及行政人員之責任保險

本年度內，本公司已為董事及行政人員購買責任保險。

Connected transactions

(1) During the year, the Company and its subsidiaries entered into connected transactions which need to be disclosed herein in accordance with the requirements of the waivers granted by the Stock Exchange. Details of these transactions are as follows:

- (a) The Company's subsidiary, Vitasoy Australia Products Pty. Ltd. ("VAP"), entered into the following transactions with National Foods Milk Limited ("NFML"), a fellow subsidiary of National Foods Holding Limited, a substantial shareholder holding 49% of the issued share capital of VAP.
- (i) Since November 2000, the Company has entered into an arrangement with VAP whereby VAP would distribute in Australia on behalf of the Company a certain amount of products targeted for the mainstream market and manufactured by the Company ("HK Products"). VAP then entered into an arrangement with NFML whereby NFML would act as the exclusive distributor in Australia of the HK Products. In return, VAP would pay a management fee equal to 3.5% of the gross sales of HK Products distributed by NFML in Australia ("1st Arrangement"). During the year, management fee amounting to HK\$78,000 (2002: HK\$934,000) was charged by NFML in this connection.
- (ii) On 24th December, 1999, VAP and NFML entered into an agreement whereby NFML would provide services to VAP in relation to products manufactured by VAP ("VAP Products"). As part of the services provided, NFML would be the exclusive distributor in Australia of VAP Products. In return, VAP would pay a management fee equal to 3.5% of gross sales of VAP Products distributed by NFML in Australia ("2nd Arrangement"). During the year, management fee amounting to HK\$2,275,000 (2002: HK\$1,300,000) was charged by NFML in this connection.

關連交易

(1) 年內，本公司及其附屬公司進行多宗關連交易，該等交易根據聯交所授予之豁免規定必須在本年報中披露。以下為該等交易之詳情：

- (a) 本公司之附屬公司 Vitasoy Australia Products Pty. Ltd. (「VAP」) 與 National Foods Holdings Limited 之同系附屬公司 National Foods Milk Limited (「NFML」) 進行以下交易。National Foods Holdings Limited 為 VAP 之主要股東，持有其已發行股本 49%。
- (i) 自二零零零年十一月以來，本公司已與 VAP 訂立安排；據此，VAP 代表本公司在澳洲分銷由本公司為主流市場生產之若干數量產品 (「香港產品」)。VAP 其後與 NFML 訂立另一項安排；據此，NFML 擔任香港產品在澳洲之獨家分銷商，而 VAP 則支付相等於 NFML 在澳洲分銷香港產品總銷售額 3.5% 之服務費作為報酬 (「第一項安排」)。年內 NFML 就此收取之服務費合共港幣 78,000 元 (二零零二年：港幣 934,000 元)。
- (ii) 於一九九九年十二月二十四日，VAP 與 NFML 訂立協議；據此，NFML 就由 VAP 生產之產品 (「VAP 產品」) 向 VAP 提供服務。NFML 擔任 VAP 產品在澳洲之獨家分銷商，作為提供服務之一部份，而 VAP 則支付相等於 NFML 在澳洲分銷 VAP 產品總銷售額 3.5% 之服務費作為報酬 (「第二項安排」)。年內 NFML 就此收取之服務費合共港幣 2,275,000 元 (二零零二年：港幣 1,300,000 元)。

Connected transactions (continued)

In accordance with the requirements of the waiver, the Independent Non-executive Directors of the Company confirm that:

- the transactions were entered into in the ordinary and usual course of business;
- the transactions were conducted either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the company are concerned;
- the transactions were entered into in accordance with the terms of the agreement governing the transactions under the 2nd Arrangement; and are on terms no less favourable than those available from independent third parties for the transactions under the 1st Arrangement; and
- the consideration of the transactions under each of the 1st and 2nd Arrangements has not exceeded 1% of the total turnover of the Group for the year ended 31st March, 2003.

(b) On 10th December, 2002, the Company entered into a Milk Supply Agreement with Shenzhen Guang Ming Holdings Limited ("Guangming"), a substantial shareholder holding 30% of the registered capital of the Company's subsidiary, Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited ("Shenzhen Vitasoy"), under which Guangming would supply milk products and provide milk processing and packaging services to the Company for a period of 3 years commencing on 14th March, 2003. The Milk Supply Agreement superseded an agreement entered into between the Company and Guangming on 2nd August, 1994 ("Compensated Trade Agreement") whereby Guangming would grant to the Company the right to market fresh milk for the period from 1st April, 1995 up to 31st December, 2004. During the year, HK\$202,000 (2002: HK\$Nil) and HK\$5,084,000 (2002: HK\$6,667,000) were charged by Guangming under the Milk Supply Agreement and the Compensated Trade Agreement respectively.

關連交易(續)

根據豁免之規定，本公司之獨立非執行董事確認：

- 交易乃於一般日常業務中進行；
- 交易乃按一般商業條款或對本公司股東公平合理之條款進行；
- 第二項安排是根據協議條款進行；而第一項安排則按不遜於與獨立第三者交易之條款進行；及
- 根據第一項及第二項安排項下交易之代價，均無超過本集團截至二零零三年三月三十一日止年度之總營業額1%。

(b) 於二零零二年十二月十日，本公司與深圳市光明集團有限公司（「光明」）訂立鮮奶供應協議；據此，光明將向本公司供應鮮奶產品及提供鮮奶加工及包裝服務，由二零零三年三月十四日起計為期三年。光明為持有本公司附屬公司深圳維他（光明）食品飲料有限公司（「深圳維他奶」）註冊資本30%之主要股東。鮮奶供應協議取代本公司與光明於一九九四年八月二日訂立之協議（「補償貿易協議」）；據此，光明授權本公司由一九九五年四月一日至二零零四年十二月三十一日止期間銷售鮮奶。年內，光明分別根據鮮奶供應協議及補償貿易協議收取港幣202,000元（二零零二年：無）及港幣5,084,000元（二零零二年：港幣6,667,000元）。

Connected transactions (continued)

In accordance with the requirements of the waiver, the Independent Non-executive Directors of the Company confirm that:

- the transactions were entered into in the ordinary and usual course of business;
 - the transactions were conducted either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company as a whole are concerned;
 - the transactions were entered into in accordance with the terms of the Milk Supply Agreement, Compensated Trade Agreement, order contracts and supplemental agreements governing such transactions; and
 - the consideration of the transactions has not exceeded 3% of the Group's net tangible assets at 31st March, 2003.
- (2) Pursuant to an agreement entered into on 20th January, 2000, the Company would provide a non-revolving loan facility of up to HK\$30,000,000 to Guangming, which is financed by a bank facility established for this purpose, until 31st December, 2004. The loan is secured by a pledge of Guangming's interest in Shenzhen Vitasoy, bears interest at a rate equal to that charged under the above bank facility, and is repayable by way of deductions of 15% from the amounts invoiced monthly to the Company by Guangming in respect of fresh milk supplied, with a minimum repayment of HK\$7,500,000 per financial year together with interest and other bank charges thereon for that financial year. A total of HK\$20,000,000 had been drawn by Guangming under this agreement and part of which had been repaid in prior years. The remaining balance of HK\$5,385,000 has been repaid during the year.
- (3) Guarantees were executed by the Company to non-wholly owned subsidiaries in respect of the following banking facilities:
- (a) Banking facilities of RMB 32,288,000 (equivalent to HK\$30,422,000) granted to Shenzhen Vitasoy on 26th August, 1999; and

關連交易(續)

根據豁免之規定，本公司之獨立非執行董事確認：

- 交易乃於一般日常業務中進行；
 - 交易乃按一般商業條款或對本公司股東公平合理之條款進行；
 - 交易乃根據鮮奶供應協議、補償貿易協議、訂單合約及規定有關交易之補充協議之條款進行；及
 - 交易之代價並無超過本集團於二零零三年三月三十一日之有形資產淨值3%。
- (2) 根據於二零零零年一月二十日訂立之協議，本公司向光明提供一項高達港幣30,000,000元之非循環貸款融資，直至二零零四年十二月三十一日止，所需資金由一項為此而設之銀行信貸提供。該筆貸款乃以光明於深圳維他奶所持之權益作抵押，按與上述信貸相同之息率計算利息。還款方式為自光明就供應鮮奶而每月向本公司開具發票之金額中扣除15%，每個財政年度之最低還款額為港幣7,500,000元連同該財政年度所需之利息及其他銀行收費。光明已根據該協議共提取港幣20,000,000元，部份款項已於以往年度償還，餘款港幣5,385,000元亦已於年內償還。
- (3) 本公司就下列銀行信貸向非全資附屬公司提供擔保：
- (a) 於一九九九年八月二十六日授予深圳維他奶人民幣32,288,000元(相當於港幣30,422,000元)之銀行信貸；及

REPORT OF THE DIRECTORS

董事會報告書

Connected transactions (continued)

(b) Banking facilities of A\$22,720,000 (equivalent to HK\$107,238,000) granted to VAP on 23rd March, 2001,

whereby the Company would guarantee up to 70% and 51% of the obligations and liabilities of Shenzhen Vitasoy and VAP respectively under the aforesaid banking facilities which are in proportion to the Company's beneficial interests in Shenzhen Vitasoy and VAP.

Employee retirement plans

Particulars of employee retirement plans of the Group are set out in note 25 on the financial statements.

Purchase, sale or redemption of the Company's listed securities

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on pages 126 and 127.

Corporate Governance

The Board of Directors

The Board of Directors comprises six Non-executive and four Executive Directors. Two of the Non-executive Directors are independent. The Board of Directors met seven times during the year to discuss and review the business and financial performance of the Group and approve its future strategic directions. Attendance at the Board meetings was over 96%.

關連交易(續)

(b) 於二零零一年三月二十三日授予VAP 22,720,000 澳元(相當於港幣 107,238,000 元)之銀行信貸，

據此，本公司按照其於深圳維他奶及VAP所持實際權益之比例分別就深圳維他奶及VAP根據上述銀行信貸所承擔之責任及負債提供高達70%及51%之擔保。

僱員退休計劃

有關本集團僱員退休計劃之詳情載於財務報表附註25。

購回、出售或贖回本公司之上市證券

年內本公司或其任何附屬公司概無購回、出售或贖回本公司之股份。

五年摘要

本集團於過去五年之業績、資產及負債摘要載於第126頁及第127頁。

公司管治

董事會

董事會由六位非執行董事及四位執行董事組成。其中兩位非執行董事為獨立人士。年內董事會共舉行七次會議，以研究及檢討本集團在業務及財務上之表現，並通過日後之策略路向。董事會議之出席率逾96%。

Corporate Governance (continued)

Audit Committee

In compliance with the Code of Best Practice, the Company established an Audit Committee with written terms of reference in November 1998. The Committee comprises two Independent Non-executive Directors and one Non-executive Director.

The present Committee members are Mr. Iain F. Bruce (Chairman), Mr. Chi-kian Shiu and Dr. The Hon. David Kwok-po Li. The Committee met twice during the year to review the internal audit programme and the results of the external audit, as well as to review the interim and annual reports of the Group.

Executive Committee

The Company established an Executive Committee on 11th January, 2001. The Committee comprises all the Executive Directors who meet regularly to consider and approve the financial and operational businesses of the Group.

Compensation Committee

The Company established a Compensation Committee on 4th February, 1994. The Committee comprises all the Independent Non-executive Directors, the Non-executive Directors and the Executive Chairman of the Company with written terms of reference. Dr. The Hon. David Kwok-po Li is the Chairman of the Committee. The Committee met five times during the year to review and approve the remuneration packages of the Group's employees, including the Executive Directors and other senior employees and the terms of, and awards given, under the discretionary bonus and share option schemes.

Compliance of Code of Best Practice

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

公司管治(續)

審核委員會

為遵守最佳應用守則，本公司已於一九九八年十一月成立審核委員會，並以書面制定職權範圍。該委員會由兩位獨立非執行董事及一位非執行董事組成。

委員會之現任成員為Iain F. Bruce先生(主席)、邵志堅先生及李國寶博士。本年度內該委員會舉行兩次會議，以審閱本集團之內部稽核方案及獨立核數師之審核結果，並審閱本集團之中期及週年報告。

執行委員會

本公司於二零零一年一月十一日成立執行委員會。委員會由全體執行董事組成，彼等定期舉行會議，以考慮及通過本集團之財務及業務營運事宜。

薪酬委員會

本公司於一九九四年二月四日成立薪酬委員會。該委員會由本公司之全體獨立非執行董事、非執行董事及執行主席組成，並以書面制定職權範圍。李國寶博士擔任委員會主席。本年度內該委員會舉行五次會議，以檢討及批准本集團僱員(包括執行董事及其他高級行政人員)之薪酬組合，以及酌情花紅及購股權計劃。

遵守最佳應用守則

年內本公司一直遵守聯交所上市規則附錄十四所載列之最佳應用守則。

REPORT OF THE DIRECTORS

董事會報告書

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, 9th July, 2003

核數師

畢馬威會計師事務所任滿告退並願受聘連任。有關續聘畢馬威會計師事務所擔任本公司核數師之決議案將於應屆股東週年大會上提呈。

承董事會命

羅友禮

執行主席

香港，二零零三年七月九日