

# Report of the Directors

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associates are set out in notes 13 and 14 to the financial statements, respectively. There have been no significant changes in the Group’s principal activities during the year.

## SEGMENTAL INFORMATION

An analysis of the Group’s turnover and contribution to profit from operating activities by principal activities and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>By activity</b>				
Trading and distribution of snack foods, confectionery, beverages and frozen foods products	<b>933,790</b>	876,581	<b>73,821</b>	58,783
Manufacturing and sale of ham and ham related products, and snack foods	<b>191,043</b>	47,282	<b>12,049</b>	(2,210)
	<b><u>1,124,833</u></b>	<b><u>923,863</u></b>	<b><u>85,870</u></b>	<b><u>56,573</u></b>
<b>By geographical area</b>				
People’s Republic of China:				
Hong Kong	<b>918,610</b>	760,765	<b>82,061</b>	54,752
Elsewhere	<b>206,223</b>	163,098	<b>3,809</b>	1,821
	<b><u>1,124,833</u></b>	<b><u>923,863</u></b>	<b><u>85,870</u></b>	<b><u>56,573</u></b>

## RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 72.

An interim dividend of HK1.6 cents per share was paid by the Company on 8 February 2001. The directors recommend the payment of a final dividend of HK3.0 cents per share in respect of the year ended 31 March 2001 to shareholders on the Register of Members on 3 September 2001. This recommendation has been incorporated in the financial statements.

As detailed in note 10 to the financial statements, on 30 May 2000, the Company distributed its interest in Four Seas eFood Holdings Limited (“FSFH”) by way of a dividend in specie to the shareholders of the Company on the basis of 377 ordinary shares of FSFH for every 1,000 ordinary shares of the Company held.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

The table set out below summarises the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate:

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
<b>RESULTS</b>					
TURNOVER	<u>1,124,833</u>	<u>923,863</u>	<u>963,310</u>	<u>1,001,925</u>	<u>905,338</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>67,490</u>	<u>56,041</u>	<u>62,152</u>	<u>77,476</u>	<u>67,927</u>
	As at 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
TOTAL ASSETS	<u>836,280</u>	<u>867,536</u>	<u>812,755</u>	<u>793,173</u>	<u>818,631</u>
TOTAL LIABILITIES	<u>(392,226)</u>	<u>(346,927)</u>	<u>(339,933)</u>	<u>(352,249)</u>	<u>(457,703)</u>
MINORITY INTERESTS	<u>(21,094)</u>	<u>(12,691)</u>	<u>(11,745)</u>	<u>(12,345)</u>	<u>(10,064)</u>
NET ASSETS	<u>422,960</u>	<u>507,918</u>	<u>461,077</u>	<u>428,579</u>	<u>350,864</u>

# Report of the Directors

## **FIXED ASSETS**

Details of movements in the fixed assets of the Group are set out in note 12 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

## **ASSOCIATES**

Particulars of the Group's associates are set out in note 14 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company are set out in note 23 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

## **DISTRIBUTABLE RESERVES**

At 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$283,226,000.

## **BORROWINGS**

Details of the Group's borrowings at the balance sheet date are set out in note 21 to the financial statements.

# Report of the Directors

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

TAI Tak Fung, Stephen (*Chairman*)

WU Mei Yung, Quinly

YIP Wai Keung

WU Wing Biu

MAN Wing Cheung, Ellis

### Non-executive directors:

Tomizo TAKAGI

Tsunao KIJIMA\*

LEUNG Mei Han\*

CHAN Yuk Sang, Peter\* (appointed on 27 July 2000)

\* *Independent non-executive directors*

In accordance with article 119 of the Company's articles of association, Mr. MAN Wing Cheung, Ellis, Mr. Tsunao KIJIMA and Mdm. LEUNG Mei Han, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance (“SDI Ordinance”), were as follows:

### Company

Name of directors	Notes	Nature of interests	Number of shares
Tai Tak Fung, Stephen	1	Corporate	87,250,000
	2	Other	80,000,000
	3	Corporate & Other	100,404,000
Wu Mei Yung, Quinly	1	Corporate	87,250,000
	2	Other	80,000,000
	3	Corporate & Other	100,404,000
Yip Wai Keung		Personal	680,000

### Notes:

- 87,250,000 shares are owned by Special Access Limited (“SAL”), a company wholly-owned by Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly.
- 80,000,000 shares are owned by Careful Guide Limited (“CGL”) whose shares are owned by a discretionary trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly.
- 100,404,000 shares are owned by Capital Season Investments Limited (“CSI”). CSI is wholly-owned by Advance Finance Investments Limited which is a wholly-owned subsidiary of Four Seas eFood Holdings Limited (“FSFH”). Accordingly, FSFH was deemed to be interested in 100,404,000 shares in the Company. SAL and CGL in aggregate hold more than one-third of the issued share capital of FSFH. Accordingly, Dr. Tai Tak Fung, Stephen and his spouse Mdm. Wu Mei Yung, Quinly, through SAL and CGL, were deemed to be interested in 100,404,000 shares in the Company.

# Report of the Directors

## **DIRECTORS' INTERESTS IN SHARES** *(continued)*

Other than certain non-beneficial personal equity interests held by Dr. Tai Tak Fung, Stephen and Mr. Yip Wai Keung for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements and save as disclosed above, none of the directors or their respective associates had any interest in the equity of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance 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 as at 31 March 2001.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

On 4 August 1993, the Company approved a share option scheme (the "Scheme") under which the directors may, at their absolute discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from 4 August 1993.

No options have been granted under the Scheme up to the balance sheet date.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse 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.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Dr. TAI Tak Fung, Stephen, JP, PhD**, aged 53, is the founder and chairman of the Group, responsible for corporate strategies, policies and planning. Dr. Tai received a number of accolades, including the 30th Food Industry Distinguished Service Award, Letter of Appreciation from the Food & Marketing Bureau of the Ministry of Agriculture, Forestry and Fishery of Japan, “Honourable Citizen of Guangzhou” and “Honourable Citizen of Shantou” in Mainland China. He holds several positions to the public including honorary consultant of China National Food Industry Association, a committee member of the Chinese People’s Political Consultative Conference of Guangdong Province, the president of Hong Kong Foodstuffs Association Limited, and the president of Hong Kong Japan Confectionery & Biscuit Trade Association. He is also the chairman of Four Seas eFood Holdings Limited, listed on The Stock Exchange of Hong Kong Limited, a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

**Mdm. WU Mei Yung, Quinly**, aged 48, is a co-founder and the managing director of the Group, responsible for the Group’s business strategic planning, and formulation of human resources and administration policies. She has more than 26 years’ experience in the food and confectionery business. Mdm. Wu is also a director of Careful Guide Limited and Special Access Limited. She is the spouse of Dr. Tai Tak Fung, Stephen.

**Mr. MAN Wing Cheung, Ellis**, aged 45, is the deputy managing director of the Group, responsible for finance, accounting and information technology of the Group. Mr. Man has a Master of Commerce degree from the University of New South Wales in Australia. He is also a member of CPA Australia and the Hong Kong Society of Accountants. He gained extensive experience in finance and accounting from overseas multinational corporations. Mr. Man joined the Group in 1992. He is also a director of FSFH.

**Mr. YIP Wai Keung**, aged 51, is responsible for the overall sales and marketing functions of the Group. Prior to joining the Group, Mr. Yip was the marketing manager of a Japanese food company in Hong Kong for eight years. He has more than 28 years’ experience in sales and marketing. Mr. Yip joined the Group in 1979. He is also a director of FSFH.

**Mr. WU Wing Biu**, aged 42, is responsible for the merchandising and purchasing functions of the Group. He has more than 24 years’ experience in sales and merchandising. Mr. Wu joined the Group in 1978. He is also a director of FSFH and a brother of Mdm. Wu Mei Yung, Quinly.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Non-executive Directors

**Mr. Tomizo TAKAGI**, aged 77, is the president of Takagi Sake Company Limited and a consultant of Pokka Corporation. He is a member of the Steering Committee of Environment Beautification Association on Food-Containers, the president of the Japan Fair Trade Council of Compound Lemon Drinks, the vice-president of the Japan Coffee Drink Association and a director of the Japan Trade Council of Articles of Chocolate Products. Mr. Takagi was awarded the Medal with Blue Ribbon and the Medal with Dark Blue Ribbon in 1992.

**Mr. Tsunao KIJIMA**, aged 53, is the deputy chief operation officer of foods products division of Mitsubishi Corporation. He holds a Bachelor of Arts degree in Economics from Keio University in Japan. Mr. Kijima has more than 30 years' experience of worldwide trading of processed foods, beverages, snack foods, and other food products. He spent eight years in the United States as management of the affiliated companies of Mitsubishi Corporation in the food manufacturing and marketing industry.

**Mdm. LEUNG Mei Han**, aged 43, holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Mdm. Leung has 17 years' experience in corporate finance and related areas.

**Mr. CHAN Yuk Sang, Peter**, aged 55, is the chairman of Century Legend (Holdings) Ltd (formerly known as Fortei Holdings Ltd), a listed company in Hong Kong. He is also a director of China Sky Finance Ltd. He was a senior general manager of a local bank until November 1998. Mr. Chan was also a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen until 1995. He has more than 30 years' experience in the banking and finance industry.

### Senior management

**Mr. TSE Siu Wan**, aged 40, is a director and the general manager of Hong Kong Ham Holdings Limited ("HK Ham"), a wholly-owned subsidiary of the Group, responsible for the management of the Group's ham manufacturing operations. He has extensive experience in the manufacturing of ham and ham related products. Mr. Tse joined HK Ham in 1980. He is also a director of FSFH.

**Mdm. CHAN Siu Ling, Doris**, aged 48, is the assistant managing director of the Group, responsible for general administration and human resources. She holds a certificate in public management from the University of California Berkeley. Prior to joining the Group, she has more than 28 years' working experience in the government and statutory organizations. Mdm. Chan joined the Group in 2001.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management (continued)

**Mr. LO Ka Sing, Kassim**, aged 47, is the general manager of the sales department, responsible for sales functions in Hong Kong. Mr. Lo holds a Bachelor of Social Science degree from the Chinese University of Hong Kong. Prior to joining the Group, he worked for a listed company in Hong Kong as the assistant general manager. He has more than 23 years' experience in sales and marketing. Mr. Lo joined the Group in 1996. He is also a director of FSFH.

**Mr. LAI Yuk Fai, Patrick**, aged 46, is the general manager of the China trade department, responsible for the sales and marketing activities in Mainland China. Mr. Lai has a Bachelor of Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, he was the general manager of sales department of a multinational company. Mr. Lai joined the Group in 1998.

**Mr. LEUNG Tin Chi, Wallace**, aged 37, is the financial controller and company secretary of the Group, responsible for finance, accounting and company secretarial duties. Mr. Leung holds a Bachelor of Business degree from Swinburne University of Technology in Australia. He is also a member of CPA Australia and the Hong Kong Society of Accountants. Mr. Leung has extensive accounting experience. He joined the Group in 1994.

**Mr. NAM Chi Ming, Gibson**, aged 40, is the general manager of the Group's internal audit, responsible for managerial controls and internal audit. He holds a Bachelor of Arts degree from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Nam is an associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has extensive financial and managerial experience. Mr. Nam had joined the Group in 1996 until 1999 and re-joined the Group in 2001.

**Mr. LAI Chi Ming**, aged 44, is a director and the assistant general manager of Shenzhen Yaohan Zhonghao Food Co., Limited in Shenzhen, Mainland China, a subsidiary of the Group, responsible for the manufacturing operation of the factory. He has a Master of Business Administration degree from Heriot-Watt University in the United Kingdom. Mr. Lai has extensive experience in the manufacturing of ham and ham related products. He joined HK Ham in 1981.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management (continued)

**Mr. MA Ching Shun, Gordon**, aged 55, is the assistant to the managing director of the Group, responsible for assisting the managing director in overseeing the manufacturing operations. Mr. Ma holds a Master of Business Administration degree from Murdoch University in Australia. Prior to joining the Group, he was the general manager of a food company and has more than 19 years' experience in the retail and supermarket business in Hong Kong. Mr. Ma joined the Group in 1997. He is also a director of FSFH.

**Mr. HO Kwing Cheung, Ronald**, aged 57, is the general manager of the China project department of the Group, responsible for joint-venture projects in Mainland China. Mr. Ho has more than 24 years' experience in general management and administration in the service industry in Hong Kong. He joined the Group in 1997.

**Mr. YANG Rhue, Gerald**, aged 39, is the general manager of the advertising department of the Group, responsible for the advertising and promotional activities. Prior to joining the Group, Mr. Yang worked for an international renowned advertising firm. He has more than 16 years' working experience in the advertising industry. He joined the Group in 1987.

**Mr. HO Kwok Tong, Fred**, aged 47, is the senior manager of the information technology department, responsible for information and technology development. He holds a higher certificate in mathematical studies from the Hong Kong Polytechnic University and a certificate in digital computer programming from the University of Hong Kong. Mr. Ho has over 25 years' experience in the development of management information system. He joined the Group in 1994.

**Mr. LEUNG Cheung Shun, Donny**, aged 53, is the senior manager of the warehouse and delivery department, responsible for warehousing and delivery services. Prior to joining the Group, he worked for an international marine service company for 4 years and has over 22 years' experience in logistic management. Mr. Leung joined the Group in 1995.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers accounted for 36% of the Group's total sales for the year and sales to the largest customer included therein amounted to 15%.

Purchases from the five largest suppliers accounted for 41% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers and suppliers.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the interests of persons, other than the directors or the chief executive of the Company, of 10% or more of the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 16 of the SDI Ordinance, were as follows:

Name	Number of shares held	Notes
Special Access Limited (“SAL”)	87,250,000	(a)
Careful Guide Limited (“CGL”)	80,000,000	(b)
Capital Season Investments Limited (“CSI”)	100,404,000	(c)
Advance Finance Investments Limited (“AFI”)	100,404,000	(c)
Four Seas eFood Holdings Limited (“FSFH”)	100,404,000	(c)

*Notes:*

- (a) Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly have beneficial interests in SAL. This interest is also included as corporate interests of Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly in “Directors’ Interests in Shares”.
- (b) CGL is owned by a discretionary trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly. This interest is also included as other interests of Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly in ‘Directors’ Interests in Shares”.
- (c) CSI is wholly-owned by AFI which is a wholly-owned subsidiary of FSFH. Since SAL and CGL in aggregate hold more than one-third of the issued share capital of FSFH, Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly, through SAL and CGL, were deemed to be interested in the shares of the Company held by CSI. Accordingly, these interests were also included as corporate and other interests of Dr. Tai Tak Fung, Stephen and Mdm. Wu Mei Yung, Quinly in “Directors’ Interests in Shares”.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2001, the Group had banking facilities of HK\$970,451,000, of which 28% had been utilised. The Group maintained a gearing ratio of 0.64 as at the balance sheet date. This is expressed as total bank borrowings to shareholders’ funds.

# Report of the Directors

## STAFF EMPLOYMENT

Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

Particulars of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Articles of Association.

In the opinion of the directors, apart from the foregoing, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 March 2001.

## PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

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

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**TAI Tak Fung, Stephen**  
*Chairman*

Hong Kong  
24 July 2001