

The directors submit their report together with the audited accounts for the year ended 31 March 2001.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries are trading of frozen meat, seafood and vegetables. During the year, the Company disposed of the subsidiaries which were engaged in the manufacturing of ham and ham related products to Four Seas Mercantile Holdings Limited ("FSMHL"), the majority shareholder prior to this transaction and a company listed on The Stock Exchange of Hong Kong Limited, in consideration for shares in FSMHL. FSMHL and the subsidiaries disposed, as a result of this connected transaction, became associated companies of the Group. Details of the transactions are set out in the Company's circular dated 25 April 2000.

An analysis of the Group's turnover and contribution to operating profit before taxation by principal activities and markets is set out in note 2 to the accounts.

## RESULTS AND APPROPRIATION

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The directors have declared an interim dividend of HK1.0 cent (2000: HK1.0 cent) per ordinary share, totalling HK\$2,478,200, which was paid on 8 February 2001.

The directors recommend the payment of a final dividend of HK1.0 cent (2000: HK1.5 cents) per ordinary share, totalling HK\$2,478,200.

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the accounts.

## RESERVES

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

## FIXED ASSETS

Details of the movements in fixed assets are set out in note 12 to the accounts.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2001 are set out in note 13 to the accounts.

## FIVE YEAR FINANCIAL INFORMATION

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 March 2001:

	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>					
Turnover	<b>601,596</b>	711,247	755,045	715,274	780,165
Operating profit/(loss)	<b>42,622</b>	36,205	24,615	15,895	(27,254)
Share of profits less losses of associated companies	<b>17,946</b>	—	—	—	—
Profit/(loss) before taxation and minority interests	<b>60,568</b>	36,205	24,615	15,895	(27,254)
Taxation	<b>(3,429)</b>	(2,761)	(2,417)	(1,503)	(1,652)
Profit/(loss) after taxation	<b>57,139</b>	33,444	22,198	14,392	(28,906)
Minority interests	<b>(52)</b>	(749)	(1,099)	(1,964)	(1,818)
Profit/(loss) attributable to shareholders	<b>57,087</b>	32,695	21,099	12,428	(30,724)
<b>Assets and liabilities</b>					
Total assets	<b>389,283</b>	352,834	326,125	295,156	298,568
Total liabilities and minority interests	<b>(156,963)</b>	(139,393)	(139,270)	(126,911)	(142,791)
<b>Shareholders' funds</b>	<b>232,320</b>	213,441	186,855	168,245	155,777

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## DIRECTORS

The directors during the year were:

TAI Tak Fung, Stephen (*Chairman*)

Takeshi NOMAGUCHI (*Managing Director*)

MAN Wing Cheung, Ellis

YIP Wai Keung

TSE Siu Wan

LAI Yuk Chuen, Philip

WU Wing Biu

MA Ching Shun, Gordon

LO Ka Sing, Kassim

CHAN Kay Cheung \*

LAN Yee Fong, Steve John \*

In accordance with Article 105(A) of the Company's Articles of Association, Mr. LO Ka Sing, Kassim, Mr. CHAN Kay Cheung and Mr. LAN Yee Fong, Steve John, retire by rotation and, being eligible, offer themselves for re-election.

\* *Independent non-executive directors*

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out as follows:

### Executive Directors

Dr. TAI Tak Fung, Stephen, JP, PhD, aged 53, is the 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 founder and chairman of FSMHL, an associated corporation listed on The Stock Exchange of Hong Kong Limited. He is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

Mr. Takeshi NOMAGUCHI, aged 53, is the Managing Director of the Group, responsible for the overall management planning and control. Mr. Nomaguchi is a graduate of Kyushu University in Japan. Prior to joining the Group, he worked for Mitsubishi Corporation, Japan for 26 years where he gained extensive experience in trading of meat and livestock. Mr. Nomaguchi joined the Group in 1997.

Mr. MAN Wing Cheung, Ellis, aged 45, is responsible for corporate finance, information technology and general administration. 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 FSMHL.

Mr. LAI Yuk Chuen, Philip, aged 46, is responsible for strategic sales and marketing management. He has more than 20 years’ experience in trading and marketing. Mr. Lai joined the Group in 1984.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Executive Directors (continued)

Mr. YIP Wai Keung, aged 51, Mr. Yip has more than 28 years' experience in sales and marketing. He joined the Group in 1997. He is also a director of FSMHL.

Mr. TSE Siu Wan, aged 40, has more than 20 years' experience in food manufacturing operations. Mr. Tse joined the Group in 1980.

Mr. WU Wing Bui, aged 42, has more than 24 years' experience in merchandising. Mr. Wu joined the Group in 1997. He is also a director of FSMHL.

Mr. LO Ka Sing, Kassim, aged 47, holds a Bachelor of Social Science degree from the Chinese University of Hong Kong. He has more than 23 years' experience in sales and marketing. Mr. Lo joined the Group in 1997.

Mr. MA Ching Shun, Gordon, aged 55, holds a Master of Business Administration degree from Murdoch University in Australia. He has more than 19 years' experience in the retail and supermarket business in Hong Kong. Mr. Ma joined the Group in 1997.

### Independent Non-Executive Directors

Mr. CHAN Kay Cheung, aged 54, is an Executive Director and Deputy Chief Executive of The Bank of East Asia, Limited. He is also a Director of Chu Kong Shipping Development Company Limited and Winsan (China) Investment Group Company Limited. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers and a member of the MPF Industry Schemes Committee. He joined the Bank in 1965 and possesses extensive knowledge and experience in the banking industry.

Mr. LAN Yee Fong, Steve John, aged 60, is now the Chairman and Director of Zurich Financial Services Group. He is a graduate of The University of Hong Kong and a fellow of Chartered Insurance Institute. Mr. Lan has over 35 years of experience in the insurance industry with intensive involvement in corporate development.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior Management

Mr. YUNG Cheong Wei, Terence, aged 47, is the Financial Controller and Company Secretary, responsible for finance, accounting and company secretarial duties. Mr. Yung is an associate member of The Certified General Accountant in Canada and an associate member of The Hong Kong Institute of Company Secretaries. He has also obtained various memberships from a number of professional institutes, including The Institute of Chartered Bankers in the United Kingdom, The Institute of Chartered Secretaries & Administrators in the United Kingdom, and The Taxation Institute of Hong Kong. Mr. Yung has extensive experience in finance and accounting. He joined the Group in 1999.

Mr. KONG Pun Wing, aged 57, is the General Manager of China trade business, responsible for sales and marketing in Mainland China. Mr. Kong has more than 30 years' experience in sales and marketing. He joined the Group in 1966.

Ms. CHENG Lai Ling, Carol, aged 41, is the Senior Purchase Manager, responsible for the purchase of frozen food products. Ms. Cheng has more than 15 years' experience in merchandising and purchasing. She joined the Group in 1988.

Mr. LAM Wai Sum, aged 55, is the Senior Accounting Manager, responsible for the Group's day-to-day accounting functions. Mr. Lam has more than 30 years' experience in accounting. He joined the Group in 1974.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries 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' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under a share option scheme approved by the shareholders of the Company previously, the directors of the Company may, at their discretion, invite executive directors and key employees of the Group, to take up options to subscribe for shares in the Company subject to terms and conditions stipulated therein. As at 31 March 2001, share options granted to the Company's directors are set out as follows:

Director	Date of grant	Exercise price per option share	Number of share options granted and outstanding at 31 March 2001
Takeshi NOMAGUCHI	25 September 1997	HK\$0.62	1,000,000
MAN Wing Cheung, Ellis	25 September 1997	HK\$0.62	700,000
YIP Wai Keung	25 September 1997	HK\$0.62	700,000
TSE Siu Wan	25 September 1997	HK\$0.62	500,000
LAI Yuk Chuen, Philip	25 September 1997	HK\$0.62	500,000

The share options are exercisable from 8 October 1998 to 26 November 2002.

Apart from the aforesaid, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate and none of the directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in the Company.



## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 March 2001 the interests of the directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

### (a) The Company

	Number of shares held			
	Personal interests	Family interests	Corporate interests (note i)	Other interests (note ii)
TAI Tak Fung, Stephen	–	–	53,849,177	30,160,000
YIP Wai Keung	256,360	–	–	–
LO Ka Sing, Kassim	100,000	–	–	–

#### Notes:

- (i) 187,927 shares, representing 0.076% of the Company's issued capital, are beneficially owned by FSMHL. Dr. TAI Tak Fung, Stephen and Mr. YIP Wai Keung are directors of FSMHL. 53,661,250 shares, representing 21.65% of the Company's issued capital, are owned by Special Access Limited, a company wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.
- (ii) 30,160,000 shares, representing 12.17% of the Company's issued capital, are owned by Careful Guide Limited whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

### (b) Associated Corporation

The following directors have interests in the shares of FSMHL as follows:

	Number of shares held			
	Personal interests	Family interests	Corporate interests (note i)	Other interests (note ii)
TAI Tak Fung, Stephen	—	—	87,250,000	80,000,000
YIP Wai Keung	680,000	—	—	—

*Notes:*

- (i) The shares, which represent 21.8% of the issued share capital of FSMHL, are owned by Special Access Limited, a company wholly owned by Dr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.
- (ii) The shares, which represent 20% of the issued share capital of FSMHL, are owned by Careful Guide Limited whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, as at 31 March 2001, no directors and their associates have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations required to be disclosed pursuant to the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors as disclosed above.

## MANAGEMENT CONTRACTS

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

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

	2001	2000
	%	%
Purchases		
– the largest supplier	61	44
– five largest suppliers combined	78	61

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers noted above at any time in the year.

The aggregate percentage of sales attributable to the Group's five largest customers is less than 30% of the total sales during the year and therefore no additional disclosure with regard to major customers are made.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in notes 20 and 21 to the accounts. The Group had no bank overdrafts as at 31 March 2001.

## LIQUIDITY

Operating revenue was the Group's major source of funds during the financial year. As at 31 March 2001 the Group held cash on hand and bank balances of approximately HK\$54 million whilst utilised to the extent of approximately HK\$122 million, representing approximately 40% of the total banking facilities of HK\$304 million. The Group has a gearing ratio of 0.63 as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' funds.

Bank borrowings of the Group mainly comprised trust receipt loans which were denominated in either Hong Kong dollars or US dollars and obtained to finance the purchase of meat products from overseas and a bank loan which is repayable by instalments up to 2006, borrowed for the purpose of financing the construction of the Group's premise in Sai Kung.

## PLEDGE OF ASSET

As at 31 March 2001, the land and building, assets and the issued shares of a subsidiary were pledged as securities for a bank loan of the Group.

## 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. Share options were granted to the senior executives in reward for their outstanding management and operation performance. The Group operates a mandatory provident fund scheme covering all the employees of the Group.

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

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the accounting period covered by this annual report, except that the independent non-executive directors of the Company are not appointed for specific term. However, they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with Article 105(A) of the Company’s Articles of Association.

## AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company’s auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. CHAN Kay Cheung and Mr. LAN Yee Fong, Steve John. Two meetings were held during the current financial year.

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board

**Takeshi NOMAGUCHI**

*Managing Director*

Hong Kong, 24 July 2001