

The directors submit their report together with the audited accounts for the year ended 31 March 2002.

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 set out in note 11 to the accounts.

An analysis of the Group's performance for the year by geographical and business segments 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 29.

The directors have declared an interim dividend of HK1.0 cent per ordinary share, totalling HK\$2,478,000, which was paid on 8 February 2002.

The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share, totalling HK\$4,956,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$430,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 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 2002:

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Results					
Turnover	<u>501,444</u>	<u>601,596</u>	<u>711,247</u>	<u>755,045</u>	<u>715,274</u>
Operating profit	<u>8,905</u>	<u>42,622</u>	<u>36,205</u>	<u>24,615</u>	<u>15,895</u>
Share of profit of an associated company	<u>24,371</u>	<u>17,946</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit before taxation and minority interests	<u>33,276</u>	<u>60,568</u>	<u>36,205</u>	<u>24,615</u>	<u>15,895</u>
Taxation	<u>(5,288)</u>	<u>(3,429)</u>	<u>(2,761)</u>	<u>(2,417)</u>	<u>(1,503)</u>
Profit after taxation	<u>27,988</u>	<u>57,139</u>	<u>33,444</u>	<u>22,198</u>	<u>14,392</u>
Minority interests	<u>–</u>	<u>(52)</u>	<u>(749)</u>	<u>(1,099)</u>	<u>(1,964)</u>
Profit attributable to shareholders	<u>27,988</u>	<u>57,087</u>	<u>32,695</u>	<u>21,099</u>	<u>12,428</u>
Assets and liabilities					
Total assets	<u>419,830</u>	<u>389,283</u>	<u>352,834</u>	<u>326,125</u>	<u>295,156</u>
Total liabilities and minority interests	<u>(161,494)</u>	<u>*(154,485)</u>	<u>*(135,676)</u>	<u>*(136,793)</u>	<u>(126,911)</u>
Shareholders' funds	<u>258,336</u>	<u>234,798</u>	<u>217,158</u>	<u>189,332</u>	<u>168,245</u>

* These figures have been adjusted to account for the proposed dividend in accordance with SSAP 9 (revised).

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

CHAN Kay Cheung *

LAN Yee Fong, Steve John *

WU Wing Biu *(resigned on 11 March 2002)*

MA Ching Shun, Gordon *(resigned on 11 March 2002)*

LO Ka Sing, Kassim *(resigned on 11 March 2002)*

In accordance with article 105(A) of the Company's Articles of Association, Mr. MAN Wing Cheung, Ellis and Mr. YIP Wai Keung 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 54, is the Chairman of the Group, responsible for corporate strategies, policies and planning. Dr. Tai received a number of awards and 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 Shantou” and “Honourable Citizen of Guangzhou” in Mainland China. He holds several public positions including the President of Hong Kong Foodstuffs Association Limited, the President of Hong Kong Japan Confectionery & Biscuit Trade Association, honorary consultant of China National Food Industry Association and a committee member of the Chinese People’s Political Consultative Conference of Guangdong Province. 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 54, 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 46, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

EXECUTIVE DIRECTORS (continued)

Mr. LAI Yuk Chuen, Philip, aged 47, is responsible for strategic sales and marketing management. He has extensive experience in trading and marketing. Mr. Lai joined the Group in 1984.

Mr. YIP Wai Keung, aged 52, has extensive experience in sales and marketing. He joined the Group in 1997. He is also a director of FSMHL.

Mr. TSE Siu Wan, aged 41, has extensive experience in food business. Mr. Tse joined the Group in 1980.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Kay Cheung, aged 55, joined the Group as independent non-executive director in 1995. He 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 61, joined the Group as independent non-executive director in 1998. He is now the Chairman of Evergreen Consultants Limited and President of Inswire Insurance Brokers. Mr. Lan was Chairman 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 extensive experience in the insurance industry with intensive involvement in corporate development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. FUNG Kwok Wing, Kenny, aged 41, is the Financial Controller and Company Secretary, responsible for finance, accounting, company secretarial duties and general administration. Mr. Fung holds a Master of Business Administration degree from the Open University of Hong Kong. He is an associate member of the Hong Kong Society of Accountants and the Association of International Accountants in the UK. He is also a member of various professional institutes, including the Chartered Institute of Marketing in the UK, the Hong Kong Institute of Marketing, the Institute of Administrative Management in the UK and the Hong Kong Institute of Human Resource Management. Mr. Fung has extensive experience in accounting and administration. He joined the Group in 1985.

Mr. LAM Wai Sum, aged 56, is the Senior Accounting Manager, responsible for the Group's day-to-day accounting functions. Mr. Lam has extensive experience in accounting. He joined the Group in 1974.

Ms. CHENG Lai Ling, Carol, aged 42, is the Senior Purchase Manager, responsible for the purchase of frozen food products. Ms. Cheng has extensive experience in merchandising and purchasing. She joined the Group in 1988.

SHARE OPTIONS

On 27 November 1992 (Adoption Date), a share option scheme (the "Scheme") was approved by the shareholders of the Company. Under the terms of the Scheme, the directors may, at their discretion, invite any employee of the Company or any wholly-owned subsidiary (including any executive director of the Company or any wholly-owned subsidiary) to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

SHARE OPTIONS (continued)

Details of the Scheme are as follows:

(i) Purpose

The Scheme is designed to give executive directors and senior employees holding an executive, managerial or supervisory position in the Company or any of its wholly-owned subsidiaries an equity interest in the Company in order to enhance long-term shareholder value. The granting of options will also help the Company to attract and motivate individuals with experience and ability and to reward individuals for past and future performance.

(ii) Qualifying participants

Any employee including any executive director of the Company or any of its wholly-owned subsidiaries.

(iii) Maximum number of shares

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme will be such number of shares as shall represent 10 per cent of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Scheme or such other number as the Board may from time to time determine subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) applicable for the time being).

No option may be granted to any one employee which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25 per cent, or such other percentage as the Board may from time to time determine subject to the Listing Rules applicable for the time being, of the maximum aggregate number of shares in the capital of the Company in respect of which options may at the time be granted under the Scheme.

SHARE OPTIONS (continued)

(iv) Option period

On and subject to the terms of the Scheme the Board shall be entitled at any time within 10 years, or such other period as the Board may from time to time determine subject to the Listing Rules applicable for the time being, after the Adoption Date to offer the grant of an Option to any Employee as the Board may in its absolute discretion select.

(v) Amount payable on application or acceptance

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof is received by the Company within 28 days from the date of the offer letter issued by the Company. Such remittance shall in no circumstances be refundable.

(vi) Exercise price

The exercise price shall be 80 per cent of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on the five trading days immediately preceding the offer date on which there were dealings in shares on the Stock Exchange or such amount as the Board may from time to time determine subject to the Listing Rules applicable for the time being or the nominal value of a share (whichever is the greater).

SHARE OPTIONS (continued)

(vii) The remaining life of the Scheme

The Board shall be entitled at any time within 10 years between 27 November 1992 and 26 November 2002 to offer the grant of an option to any qualifying participants.

Details of the Share Options granted under the Scheme and remain outstanding as at 31 March 2002 are as follows:

Name	Options held at 1 April 2001	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 March 2002	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Takeshi NOMAGUCHI	1,000,000	-	-	-	1,000,000	0.62	25 September 1997	8 October 1998	26 November 2002
MAN Wing Cheung, Ellis	700,000	-	-	-	700,000	0.62	25 September 1997	8 October 1998	26 November 2002
YIP Wai Keung	700,000	-	-	-	700,000	0.62	25 September 1997	8 October 1998	26 November 2002
TSE Siu Wan	500,000	-	-	-	500,000	0.62	25 September 1997	8 October 1998	26 November 2002
LAI Yuk Chuen, Philip	500,000	-	-	-	500,000	0.62	25 September 1997	8 October 1998	26 November 2002
	<u>3,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400,000</u>				
Continuous contract employees	<u>2,150,000</u>	<u>-</u>	<u>-</u>	<u>780,000</u>	<u>1,370,000</u>	0.62	25 September 1997	8 October 1998	26 November 2002

Notes:

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of options granted to participants as referred to in (i) to (v) of Rule 17.07 during the financial year. The Directors consider it inappropriate to value the Share Options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the Share Options based on various speculative assumptions would be meaningless and could be misleading to the shareholders. The Directors therefore consider the disclosure of only the relevant market price (if any) and exercise price, which are readily ascertainable, will be appropriate.

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' 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' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 March 2002 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	Other interests
TAI Tak Fung, Stephen	–	–	53,849,177 (note i)	30,160,000 (note ii)
YIP Wai Keung	256,360	–	–	–

Notes:

- (i) 187,927 shares, representing 0.076% of the Company's issued capital, are beneficially owned by FSMHL. Dr. TAI Tak Fung, Stephen, is a director and substantial shareholder of FSMHL. 53,661,250 shares, representing 21.65% of the Company's issued capital, are owned by Special Access Limited, which is wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. 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 Dr. WU Mei Yung, Quinly.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(b) Associated Corporation

Directors' interests in the shares of FSMHL are as follows:

	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
TAI Tak Fung, Stephen	–	–	85,250,000 (note i)	80,000,000 (note ii)
YIP Wai Keung	680,000	–	–	–

Notes:

- (i) The shares, which represent 21.34% 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 Dr. 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 Dr. 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 2002, 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 2002, 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 already disclosed above in respect of the directors and chief executives.

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

	2002	2001
	%	%
Purchases		
– the largest supplier	77	61
– five largest suppliers combined	89	78

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 17 and 18 to the accounts. The Group had no bank overdrafts as at 31 March 2002.

LIQUIDITY

Operating revenue was the Group's major source of funds during the financial year. As at 31 March 2002 the Group held cash on hand and bank balances of approximately HK\$105 million (2001: HK\$54 million) whilst trade credit facilities were utilised to the extent of approximately HK\$112 million (2001: HK\$122 million), representing approximately 32% (2001: 40%) of the total banking facilities of HK\$351 million (2001: HK\$304 million).

LIQUIDITY (continued)

The Group has a gearing ratio of 0.58 (2001: 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 and bank loans which were denominated in either Hong Kong dollars or US dollars. Risk in exchange rate fluctuation will not be material. The trust receipt loans were obtained to finance the purchase of meat products from overseas. The bank loan which is repayable by instalments up to 2006 were obtained to finance the construction of the Group's premise in Sai Kung. The other loans were obtained for working capital purpose.

PLEDGE OF ASSETS

As at 31 March 2002, the assets (including land and building) and issued shares of a subsidiary were pledged as securities for a bank loan of the Group.

RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme").

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance (the "MPF Contribution") or at a rate determined by the employer but not less than 5%. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

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.

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 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. 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 2002