

Report of the Directors

The directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2002.

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 16 and 17 to the financial statements, respectively. There have been no significant changes in the Group’s principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by geographical area and principal activity of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 92.

An interim dividend of HK2.0 cents per share was paid by the Company on 8 February 2002. The directors recommend the payment of a final dividend of HK4.6 cents per share in respect of the year ended 31 March 2002 to shareholders on the Register of Members on 2 September 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

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SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five year summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends and goodwill, as detailed in note 2 to the financial statements.

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

RESULTS

TURNOVER	1,176,128	1,124,833	923,863	963,310	1,001,925
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NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	80,157	67,490	53,403	62,152	77,476
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	As at 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

ASSETS, LIABILITIES AND MINORITY INTERESTS

TOTAL ASSETS	878,469	836,280	867,536	812,755	793,173
TOTAL LIABILITIES	(354,066)	(380,239)	(334,940)	(320,223)	(324,718)
MINORITY INTERESTS	(27,317)	(21,094)	(12,691)	(11,745)	(12,345)
NET ASSETS	497,086	434,947	519,905	480,787	456,110

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FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 14 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 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$301,478,000.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in note 23 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$753,000.

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*

* *Independent non-executive directors*

In accordance with article 119 of the Company's articles of association, Dr. Wu Mei Yung, Quinly, Mr. Yip Wai Keung and Mr. Tomizo Takagi 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 2002, 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:

Name of directors	Notes	Nature of interests	Number of shares
Tai Tak Fung, Stephen	1	Corporate	85,250,000
	2	Other	80,000,000
	3	Corporate and Other	104,818,000
Wu Mei Yung, Quinly	1	Corporate	85,250,000
	2	Other	80,000,000
	3	Corporate and Other	104,818,000
Yip Wai Keung		Personal	680,000

Notes:

- 85,250,000 shares are owned by Special Access Limited ("SAL"), a company wholly-owned by Dr. Tai Tak Fung, Stephen and Dr. 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 Dr. Wu Mei Yung, Quinly.
- 104,818,000 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 is deemed to be interested in 104,818,000 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 Dr. Wu Mei Yung, Quinly, through SAL and CGL, are deemed to be interested in 104,818,000 shares in the Company.

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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 March 2002.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any executive directors or non-executive directors or employee, of the Company or any of its subsidiaries. The Scheme became effective on 4 August 1993 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of the Company's shares in respect of which options may be granted at any time under the Scheme will be such number of shares, when aggregated with shares subject to any other scheme, as shall represent 10% 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 this Scheme). The maximum number as aforesaid shall be equal to the number of shares which would be issued upon the exercise of all options by the grantees (to the extent not already exercised) together with the number of shares which have already been issued pursuant to the exercise of any option.

No option may be granted to any one employee which, if exercised in full, would result in the total number of shares already issued to him under all the options previously granted to him which have been exercised, and issuable to him under all the options previously granted to him which are for the time being subsisting and unexercised, exceeding 25% of the maximum aggregate number of shares for the time being issued and issuable under this Scheme.

The offer of a grant of share options may be accepted by an employee when the duplicate letter comprising acceptance of the offer duly signed by the employee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 40 days from the date of the offer.

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SHARE OPTION SCHEME (continued)

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Company's board of directors to the grantee, which may commence on the day after the date upon which the option is granted, but shall end in any event not later than 10 years from 4 August 1993, subject to the provisions for early termination.

The exercise price is equal to the higher of (i) 80% of the average of the closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the commencement date in respect of such option (days on which there were dealings in shares on the Stock Exchange as shown in the daily quotation issued by the Stock Exchange) and (ii) the nominal value of a share.

No option has been granted to any eligible participants under the Scheme since its adoption on 4 August 1993.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interest of the Company to terminate the existing share option scheme of the Company adopted on 4 August 1993 and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's forthcoming annual general meeting for the approval of the said adoption of the new share option scheme and termination of the Company's existing share option scheme. A circular containing the details and further information on the ordinary resolution for the adoption of the new share option scheme will be dispatched to shareholders of the Company together with this Annual report.

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 54, is the founder and chairman of the Group, responsible for corporate strategies, policies and planning. Dr. Tai has 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 chairman of Four Seas eFood Holdings Limited which is 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.

Dr. WU Mei Yung, Quinly, PhD, aged 49, 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 27 years’ experience in the food and confectionery business. Dr. 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 46, is the deputy managing director of the Group, responsible for the 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 52, 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 29 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 43, is responsible for business development in Mainland China. He has more than 20 years’ experience in the food and confectionery industry. Mr. Wu joined the Group in 1978. He is brother of Dr. Wu Mei Yung, Quinly.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors

Mr. Tomizo TAKAGI, aged 78, is the chairman of Takagi Sake Company Limited. He was awarded the Medal with Blue Ribbon and the Medal with Dark Blue Ribbon in 1992.

Mr. Tsunao KIJIMA, aged 54, is the senior vice president, division chief operation officer of the food products division of Mitsubishi Corporation. He holds a Bachelor of Arts degree in Economics from Keio University in Japan. Mr. Kijima has more than 31 years' experience of worldwide trading of processed foods, beverages, snack foods, and other food products. He spent eight years in the United States as the management of the affiliated companies of Mitsubishi Corporation in the food manufacturing and marketing industry.

Mdm. LEUNG Mei Han, aged 44, holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Mdm. Leung has 18 years' experience in corporate finance and related areas.

Mr. CHAN Yuk Sang, Peter, aged 56, is the chairman of Century Legend (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 31 years' experience in the banking and finance industry.

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PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management

Mr. TSE Siu Wan, aged 41, 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 49, 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 organisations. Mdm. Chan joined the Group in 2001.

Mr. LO Ka Sing, Kassim, aged 48, is the general manager of the sales department, responsible for sales functions in Hong Kong. Mr. Lo holds a Master of Business Administration degree from the Southern California University for Professional Studies in the U.S.A. Prior to joining the Group, he worked for a listed company in Hong Kong as the assistant general manager. He has more than 24 years’ experience in sales and marketing. Mr. Lo joined the Group in 1996.

Mr. LAI Yuk Fai, Patrick, aged 47, is the general manager of the merchandising and marketing. 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 the sales department of a multinational company. Mr. Lai joined the Group in 1998.

Mr. LEUNG Tin Chi, Wallace, aged 38, 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.

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PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management (continued)

Mr. NAM Chi Ming, Gibson, aged 41, is the general manager of the Group's internal audit department, responsible for managerial controls and internal audit. He holds 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 a fellow member of 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. MA Ching Shun, Gordon, aged 56, 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.

Mr. HO Kwing Cheung, Ronald, aged 58, 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 25 years' experience in general management and administration in the service industry in Hong Kong. He joined the Group in 1997.

Mr. YANG Rhue, Geraid, aged 40, 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 internationally 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 48, is the senior manager of the information technology department, responsible for information and technology development. He holds a Master of Business Administration degree from Southern California University for Professional Studies in the U.S.A. Mr. Ho has over 26 years' experience in the development of management information systems. He joined the Group in 1994.

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PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management (continued)

Mr. LEUNG Cheung Shun, Donny, aged 54, 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 many years and has over 23 years' experience in logistic management. Mr. Leung joined the Group in 1995.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers accounted for 38% of the Group's total sales for the year and sales to the largest customer included therein amounted to 16%.

Purchases from the five largest suppliers accounted for 40% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 15%.

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.

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 2002, the Group had banking facilities of HK\$1,053,575,000, 23% of which was utilised. The Group maintained a gearing ratio of 0.49 as at the balance sheet date. This is expressed as total bank borrowings to shareholders' funds. Bank borrowings of the Group, denominated in either Hong Kong dollar, Japanese yen or US dollar currencies, mainly comprise trust receipt loans and bank loans at prevailing market interest rates and are repayable within one year. As at 31 March 2002, the Group held cash and cash equivalents of HK\$179,024,000. There are no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

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STAFF EMPLOYMENT

Total number of employees of the Group as at 31 March 2002 was approximately 1,360. 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.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the interests of persons, other than the directors or the chief executive of the Company, in 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	Percentage of the Company's issued capital	Notes
Special Access Limited ("SAL")	85,250,000	21%	(a)
Careful Guide Limited ("CGL")	80,000,000	20%	(b)
Capital Season Investments Limited ("CSI")	104,818,000	26%	(c)
Advance Finance Investments Limited ("AFI")	104,818,000	26%	(c)
Four Seas eFood Holdings Limited ("FSFH")	104,818,000	26%	(c)

Notes:

- (a) Dr. Tai Tak Fung, Stephen and Dr. Wu Mei Yung, Quinly have beneficial interests in SAL. This interest is also included as corporate interests of Dr. Tai Tak Fung, Stephen and Dr. 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 Dr. Wu Mei Yung, Quinly. This interest is also included as other interests of Dr. Tai Tak Fung, Stephen and Dr. 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 Dr. Wu Mei Yung, Quinly, through SAL and CGL, are deemed to be interested in the shares of the Company held by CSI. Accordingly, these interests are also included as corporate and other interests of Dr. Tai Tak Fung, Stephen and Dr. Wu Mei Yung, Quinly in "Directors' interests in shares".

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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.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 31 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two of the independent non-executive directors of the Company.

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

Dr. TAI Tak Fung, Stephen
Chairman

Hong Kong
24 July 2002