

# 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 31 March 2003.

## 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 were no significant changes in the nature of the Group’s principal activities during the year.

## RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 92.

An interim dividend of HK2.0 cents per share was paid by the Company on 23 January 2003. The directors recommend the payment of a final dividend of HK4.6 cents per share in respect of the year ended 31 March 2003 to shareholders on the Register of Members on 2 September 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

# Report of the Directors

## 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. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### RESULTS

TURNOVER	<u>1,249,639</u>	<u>1,176,128</u>	<u>1,124,833</u>	<u>923,863</u>	<u>963,310</u>
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### NET PROFIT FROM

ORDINARY

ACTIVITIES

ATTRIBUTABLE

TO SHAREHOLDERS

	<u>64,569</u>	<u>80,157</u>	<u>67,490</u>	<u>53,403</u>	<u>62,152</u>
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	As at 31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### ASSETS, LIABILITIES AND MINORITY INTERESTS

TOTAL ASSETS	<u>1,067,606</u>	<u>878,469</u>	<u>836,280</u>	<u>867,536</u>	<u>812,755</u>
TOTAL LIABILITIES	<u>(500,964)</u>	<u>(354,066)</u>	<u>(380,239)</u>	<u>(334,940)</u>	<u>(320,223)</u>
MINORITY INTERESTS	<u>(34,694)</u>	<u>(27,317)</u>	<u>(21,094)</u>	<u>(12,691)</u>	<u>(11,745)</u>
NET ASSETS	<u>531,948</u>	<u>497,086</u>	<u>434,947</u>	<u>519,905</u>	<u>480,787</u>

# Report of the Directors

## **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 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$299,916,000, of which HK\$18,380,000 has been proposed as a final dividend for the year.

## **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\$1,500.

# 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

MAN Wing Cheung, Ellis

YIP Wai Keung

WU Wing Biu

### **Non-executive directors:**

Tsunao KIJIMA\*

LEUNG Mei Han\*

CHAN Yuk Sang, Peter\*

Tomizo TAKAGI (Resigned on 31 October 2002)

\* *Independent non-executive directors*

In accordance with article 119 of the Company's articles of association, Mr. Wu Wing Biu and Mr. Chan Yuk Sang, Peter 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 of compensation, other than statutory compensation.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Name of directors	Notes	Nature of interests	Number of shares
Tai Tak Fung, Stephen	1	Corporate	81,250,000
	2	Other	82,000,000
	3	Corporate and other	106,696,000
Wu Mei Yung, Quinly	1	Corporate	81,250,000
	2	Other	82,000,000
	3	Corporate and Other	106,696,000
Yip Wai Keung		Personal	680,000

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

### Notes:

- 81,250,000 shares are owned by Special Access Limited ("SAL"), a company wholly-owned by Dr. Tai Tak Fung, Stephen JP and Dr. Wu Mei Yung, Quinly.
- 82,000,000 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 JP and Dr. Wu Mei Yung, Quinly.
- 106,696,000 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 106,696,000 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 JP and his spouse Dr. Wu Mei Yung, Quinly, through SAL and CGL, are deemed to be interested in 106,696,000 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 JP 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 personal, family, corporate or other interests 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 2003.

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

Apart from as disclosed under the heading "Share option schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **SHARE OPTION SCHEMES**

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 26 to the financial statements.

Concerning the share options granted during the year to the directors and employees as detailed in note 26, the directors do not consider it appropriate to disclose a theoretical value of options granted, because a number of factors critical for the valuation cannot be determined accurately.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest in any contract of significance to the business of the Group 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 55, is the founder and 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 & Foodstuff Association, the consultant of China National Food Industry Association, a member of the Chinese People’s Political Consultative Conference, a member of the Chinese People’s Political Consultative Conference Canton Standing Committee and the International Economic Adviser of the People’s Government of Hebei Province. He is also the chairman of Four Seas eFood Holdings Limited (“FSFH”) 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 50, 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 28 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 47, is the deputy managing director of the Group, responsible for finance, accounting, information technology and project investments 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 53, 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 30 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 44, 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 a brother of Dr. Wu Mei Yung, Quinly.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Independent non-executive Directors

**Mr. Tsunao KIJIMA**, aged 55, is the senior vice-president, division 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 32 years' experience of worldwide trading of processed foods, beverages, snack foods, and other food products. He spent eight years in the United States managing the affiliated companies of Mitsubishi Corporation in the food manufacturing and marketing industry.

**Mdm. LEUNG Mei Han**, aged 45, holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Mdm. Leung has 19 years' experience in corporate finance and related areas.

**Mr. CHAN Yuk Sang, Peter**, aged 57, was the chairman of a listed company on the Stock Exchange of Hong Kong until July 2002. 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 35 years' experience in the banking and finance industry.

### Senior management

**Mr. TSE Siu Wan**, aged 42, 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 50, 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 had more than 28 years' working experience in government and statutory organisations. 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 49, 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 25 years' experience in sales and marketing. Mr. Lo joined the Group in 1996.

**Mr. LAI Yuk Fai, Patrick**, aged 48, is the general manager of merchandising and marketing, responsible for purchasing and marketing management. Mr. Lai has a Bachelor of Business Administration degree from the Chinese University of Hong Kong. Prior to joining 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 39, is the financial controller and company secretary of the Group, responsible for finance, accounting and company secretarial affairs. 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 42, 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 worked in the Group from 1996 to 1999, and re-joined the Group in 2001.

**Mr. MA Ching Shun, Gordon**, aged 57, 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.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management (continued)

**Mr. HO Kwing Cheung, Ronald**, aged 59, 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, Gerald**, aged 41, 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 49, is the senior manager of the information technology department, responsible for information and technology development. He holds a Master of Business Administration from Southern California University for Professional Studies in the U.S.A. Mr. Ho has over 27 years' experience in the development of management information systems. He joined the Group in 1994.

**Mr. LEUNG Cheung Shun, Donny**, aged 55, 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 24 years' experience in logistic management. Mr. Leung joined the Group in 1995.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for 30% of the Group's total sales for the year and sales to the largest customer included therein amounted to 10.9%. Purchases from the five largest suppliers accounted for 37% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 13.4%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

# Report of the Directors

## 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 2003, the Group had banking facilities of HK\$1,158,228,000, of which 33% had been utilised. The Group maintained a gearing ratio of 0.71 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 (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank borrowings which are classified as current liabilities are repayable within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable between two to five years. As at 31 March 2003, the Group held cash and cash equivalents of HK\$283,740,000. Except for the contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance amounting to HK\$15,480,000 as at 31 March 2003, there are no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

## STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2003 was approximately 1,978. 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 Hong Kong employees of the Group.

On 2 September 2002, the Company adopted a new share option scheme. 2,400,000 and 3,700,000 share options were granted to the directors (including executive directors and independent non-executive directors) and employees, respectively, on 11 February 2003 at the exercise price of HK\$2.955. No share options were lapsed, withdrawn or exercised during the year under review.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the interests of persons, other than the directors or the chief executive of the Company, in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

Name	Percentage of the Company's issued capital	Number of shares held	Notes
Special Access Limited ("SAL")	20.33	81,250,000	(a)
Careful Guide Limited ("CGL")	20.52	82,000,000	(b)
Capital Season Investments Limited ("CSI")	26.70	106,696,000	(c)
Advance Finance Investments Limited ("AFI")	26.70	106,696,000	(c)
Four Seas eFood Holdings Limited ("FSFH")	26.70	106,696,000	(c)

*Notes:*

- (a) Dr. Tai Tak Fung, Stephen JP 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 JP 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 JP and Dr. Wu Mei Yung, Quinly. This interest is also included as other interests of Dr. Tai Tak Fung, Stephen JP 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 JP 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 JP and Dr. Wu Mei Yung, Quinly in "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

# Report of the Directors

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

## **CONNECTED TRANSACTIONS**

On 16 April 2002, Four Seas China Holdings Limited ("Four Seas China"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Guangdong Yantang Enterprises Corporation ("Yantang") to acquire a 49% equity interest (the "Transaction") in Guangdong Fourseas-Yantang Frozen Food Products Co., Ltd. ("Fourseas-Yantang") at a cash consideration of RMB2,695,000 (equivalent to approximately HK\$2,542,000) which has been settled in full. Prior to the Transaction, Four Seas China and Yantang owned 51% and 49%, respectively, of the equity interest of Fourseas-Yantang. Subsequent to the Transaction, Fourseas-Yantang became a wholly-owned subsidiary of the Company.

By virtue of Yantang being a substantial shareholder of a subsidiary of the Company at the transaction date, the Transaction constituted a connected transaction of the Company which required disclosure under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

A press announcement in respect of the Transaction was released on 16 April 2002.

## **POST BALANCE SHEET EVENT**

Details of the significant post balance sheet event of the Group are set out in note 33 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 of Hong Kong Limited (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.

# Report of the Directors

## 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, JP**

*Chairman*

Hong Kong

23 July 2003