

# Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 March 2005.

## **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at an annual general meeting of the Company held on 2 September 2004, the Company's name was changed from Four Seas eFood Holdings Limited (四洲食品網匯控股有限公司) to Four Seas Food Investment Holdings Limited (四洲食品投資控股有限公司) with effect from 4 October 2004.

## **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 12 to the accounts.

An analysis of the Group's performance for the year by geographical segments is set out in note 2 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 31.

The directors have declared an interim dividend of HK1.0 cent per ordinary share, totalling HK\$2,583,000 which was paid on 28 January 2005.

The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share, totalling HK\$7,749,000.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

## **DONATIONS**

Charitable and other donations made by the Group during the year amounted to HK\$50,000 (2004: HK\$2,753,000).

## **FIXED ASSETS**

Details of the movements in fixed assets of the Group 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 21 to the accounts.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2005, calculated under section 79B of the Companies Ordinance, amounted to HK\$125,090,000 (2004: HK\$139,465,000).

## FIVE YEAR FINANCIAL INFORMATION

The following table summarises the results, assets and liabilities of the Group for each of the last five years ended 31 March 2005:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<b>Results</b>					
Turnover	<u>539,837</u>	<u>532,679</u>	<u>474,422</u>	<u>501,444</u>	<u>601,596</u>
Operating profit	17,014	38,422	19,343	8,905	42,622
Share of profits of associated companies	<u>25,524</u>	<u>20,877</u>	<u>20,759</u>	<u>24,371</u>	<u>17,946</u>
Profit before taxation and minority interests	42,538	59,299	40,102	33,276	60,568
Taxation	<u>(4,192)</u>	<u>(10,966)</u>	<u>(7,564)</u>	<u>(4,785)</u>	<u>(3,429)</u>
Profit after taxation	38,346	48,333	32,538	28,491	57,139
Minority interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(52)</u>
Profit attributable to shareholders	<u>38,346</u>	<u>48,333</u>	<u>32,538</u>	<u>28,491</u>	<u>57,087</u>
<b>Assets and liabilities</b>					
Total assets	542,457	516,838	419,447	419,983	389,283
Total liabilities and minority interests	<u>(182,743)</u>	<u>(194,224)</u>	<u>(136,404)</u>	<u>(161,154)</u>	<u>(154,485)</u>
Shareholders' funds	<u>359,714</u>	<u>322,614</u>	<u>283,043</u>	<u>258,829</u>	<u>234,798</u>



## Report of the Directors

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company purchased 3,514,000 ordinary shares of HK\$0.10 each in the capital of the Company at prices ranging from HK\$1.14 to HK\$1.20 per share on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Such purchases involved a total cash outlay of approximately HK\$4,144,000 and were for the purpose of enhancing returns on equity.

Month/year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
June 2004	3,514,000	1.20	1.14	4,144

The repurchased shares were cancelled and accordingly, the issued share capital was reduced by the nominal value thereof. The premium payable on repurchase was charged against the retained earnings of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed 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

TAI Chun Leung

CHAN Kay Cheung\*

LAN Yee Fong, Steve John\*

LUI Shing Ming, Brian\* (appointed on 30 September 2004)

\* *Independent non-executive directors*

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 at the forthcoming annual general meeting.

**DIRECTORS (continued)**

In accordance with Article 96 of the Company's Articles of Association, LUI Shing Ming, Brian retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

The Company has received a written confirmation from each independent non-executive director of his independence to the Company in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company believed that the existing independent non-executive directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

**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**, SBS, JP, PhD (*honoris causa*), aged 57, is the Chairman of the Group, responsible for corporate strategies, policies and planning. He is a member of the Chinese People's Political Consultative Conference and a member of the Chinese People's Political Consultative Conference Canton Standing Committee. Dr. Tai received a number of awards and accolades, including the World Outstanding Chinese Award, the Visiting Professor of South China Normal University, 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 and the International Economic Adviser of the People's Government of Hebei Province. He is also the founder and chairman of Four Seas Mercantile Holdings Limited ("FSMHL"), an associated corporation listed on the Stock Exchange. He is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

**Mr. Takeshi NOMAGUCHI**, aged 57, 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.



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

#### EXECUTIVE DIRECTORS (continued)

**Mr. MAN Wing Cheung, Ellis**, aged 49, is responsible for corporate finance, information technology, project investments and general administration 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 Institute of Certified Public 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. YIP Wai Keung**, aged 55, is responsible for the business development of the Group. Prior to joining the Group, Mr. Yip was responsible for marketing and promotion activities in a Japanese food company in Hong Kong for 8 years. He has extensive experience in sales and marketing. Mr. Yip joined the Group in 1997. He is also a director of FSMHL.

**Mr. TSE Siu Wan**, aged 44, is responsible for the food quality control of the Group. He has extensive experience in food manufacturing and factory production management. Mr. Tse joined the Group in 1980. He is also a director and the general manager of Hong Kong Ham Holdings Limited, a wholly-owned subsidiary of the FSMHL.

**Mr. LAI Yuk Chuen, Philip**, aged 50, is responsible for strategic sales, marketing and purchasing management of the Group. He has extensive experience in trading and marketing. Mr. Lai joined the Group in 1984.

**Mr. TAI Chun Leung**, aged 31, is responsible for information technology and business development of the Group. He received his Bachelor of Commerce degree from Macquarie University in Australia and a Master of Business Administration degree from Southern California University for Professional Studies in the U.S.A. He worked for an international accounting firm and joined the Group in 1998. Mr. Tai possesses various experiences in information technology, finance, sales, marketing, merchandising and food manufacturing. He is the son of Dr. Tai Tak Fung, Stephen.

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAN Kay Cheung**, aged 58, 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 an independent non-executive director of Chu Kong Shipping Development Company Limited and China Electronics Corporation Holdings 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.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

**Mr. LAN Yee Fong, Steve John**, aged 64, 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, Hong Kong. Mr. Lan is a director of the Hong Kong Tuberculosis, Chest and Heart Diseases Association. He is also working on the Hospital Governing Committees of Ruttonjee and Tang Shiu Kin Hospitals as well as Granham Hospital in Hong Kong. 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.

**Mr. LUI Shing Ming, Brian**, aged 45, joined the Group as independent non-executive director in 2004. Mr. Lui is currently the managing director of Cheong Ming Investments Limited, a company listed on the main board of the Stock Exchange. Mr. Lui holds a Master's Degree in Commerce from the University of New South Wales, Australia. He is a fellow member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

### SENIOR MANAGEMENT

**Mr. FUNG Kwok Wing, Kenny**, aged 44, is the financial controller, qualified accountant and company secretary, responsible for finance, accounting, company secretarial affairs and general administration. Mr. Fung holds a Master of Business Administration degree, Master of Corporate Governance degree, Master of Finance degree and Master of Professional Accounting degree. He is also a member of various professional institutes, including the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Marketing in the United Kingdom. Mr. Fung has extensive experience in accounting and administration. He joined the Group in 1985.

**Mr. LAM Wai Sum**, aged 59, 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 45, 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 OPTION SCHEME

At the annual general meeting held on 2 September 2002, a share options scheme (the “Scheme”) of the Company was approved and adopted by the shareholders of the Company to comply with the requirements of Chapter 17 of the Listing Rules.

**(a) Details of the Scheme are as follows:**

*(i) Purpose*

The Scheme is designed to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

*(ii) Qualifying participants*

Any employee including any executive director and non-executive director of the Company or any of its subsidiaries or any invested entity.

*(iii) Maximum number of shares*

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme. The overall limit on total number of shares which may be issued upon exercise of all outstanding options and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such limit being exceeded. As at 31 March 2005, the number of shares available for issue under the Scheme is 25,533,600 shares.

*(iv) Limit for each participant*

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised or outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.



## SHARE OPTION SCHEME (continued)

### (a) Details of the Scheme are as follows (continued):

#### (v) *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 participant as the Board may in its absolute discretion select.

#### (vi) *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 of HK\$1.00 in favour of the Company 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.

#### (vii) *Subscription price*

The subscription price in respect of any particular option shall be such prices as the directors may determine at the date of grant of the relevant option but shall not be less than the highest of:

- (a) The closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day;
- (b) The average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and
- (c) The nominal value of the Company's shares.

#### (viii) *The remaining life of the Scheme*

The Board shall be entitled at any time within 10 years between 2 September 2002 and 1 September 2012 to offer the grant of an option to any qualifying participant.





## Report of the Directors

### SHARE OPTION SCHEME (continued)

(b) Details of share options outstanding as at 31 March 2005 which have been granted under the Scheme are as follows:

Name	Number of share options					At 31 March 2005	Exercise price HK\$	Date of grant	Exercisable Period
	At 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
TAI Tak Fung, Stephen	1,200,000	-	-	-	-	1,200,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
Takeshi NOMAGUCHI	1,200,000	-	(800,000)	-	-	400,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
MAN Wing Cheung, Ellis	1,000,000	-	(900,000)	-	-	100,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
YIP Wai Keung	1,000,000	-	(480,000)	-	-	520,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
TSE Siu Wan	1,000,000	-	(1,000,000)	-	-	-	0.93	11 November 2003	1 May 2004 to 31 October 2005
LAI Yuk Chuen, Philip	1,000,000	-	(1,000,000)	-	-	-	0.93	11 November 2003	1 May 2004 to 31 October 2005
CHAN Kay Cheung	800,000	-	-	-	-	800,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
LAN Yee Fong, Steve John	800,000	-	(800,000)	-	-	-	0.93	11 November 2003	1 May 2004 to 31 October 2005
	8,000,000	-	(4,980,000)	-	-	3,020,000			
<b>Other employees</b>									
Managerial level in aggregate	14,200,000	-	(9,000,000)	(200,000)	-	5,000,000	0.93	11 November 2003	1 May 2004 to 31 October 2005
<b>Grand Total</b>	<b>22,200,000</b>	<b>-</b>	<b>(13,980,000)</b>	<b>(200,000)</b>	<b>-</b>	<b>8,020,000</b>			

*Notes:*

- The weighted average closing price per share immediately before the dates on which the share options were exercised was HK\$1.223.
- A total of 200,000 share options at exercise price of HK\$0.93 were lapsed.

## SHARE OPTION SCHEME (continued)

### (b) Details of share options outstanding as at 31 March 2005 which have been granted under the Scheme are as follows (continued):

*Notes (continued):*

- 3 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 and exercise price, which are readily ascertainable, will be appropriate.

At the balance sheet date, the Company has 8,020,000 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 8,020,000 additional ordinary shares of the Company and additional share capital of HK\$802,000 and share premium of HK\$6,656,600 (before issue expenses).

## 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.



## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2005, the interests and short positions of the directors and chief executives of the Company (including those interests and short positions which were taken or deemed to have been taken under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### (a) Interests in shares and underlying shares of the Company

	Number of shares held			Number of underlying shares held under equity derivatives		Total interests as % of the relevant issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Personal/family interests	Total interests	
TAI Tak Fung, Stephen	1,298,000	53,095,177 <sup>(i)</sup>	30,914,000 <sup>(ii)</sup>	2,000,000 <sup>(iv &amp; v)</sup>	87,307,177	33.80%
Takeshi NOMAGUCHI	–	–	–	400,000 <sup>(iv)</sup>	400,000	0.15%
MAN Wing Cheung, Ellis	–	–	–	100,000 <sup>(iv)</sup>	100,000	0.04%
YIP Wai Keung	736,360	–	–	520,000 <sup>(iv)</sup>	1,256,360	0.49%
TAI Chun Leung	–	–	30,914,000 <sup>(iii)</sup>	–	30,914,000	11.97%
CHAN Kay Cheung	–	–	–	800,000 <sup>(iv)</sup>	800,000	0.31%
LAN Yee Fong, Steve John	800,000	–	–	–	800,000	0.31%
LUI Shing Ming, Brian	–	–	–	600,000 <sup>(iv &amp; vi)</sup>	600,000	0.23%



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

### (a) Interests in shares and underlying shares of the Company (continued)

*Notes:*

- (i) Out of the 53,095,177 shares, 187,927 shares are beneficially owned by Four Seas Mercantile Holdings Limited ("FSMHL"). Special Access Limited ("SAL") and Careful Guide Limited ("CGL") which in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly owned by Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is 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, JP and his spouse Dr. WU Mei Yung, Quinly. Accordingly, Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company held by FSMHL. The remaining 52,907,250 shares are owned by SAL, and Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein.
- (ii) 30,914,000 shares are owned by CGL 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, JP and his spouse Dr. WU Mei Yung, Quinly. Thus Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.
- (iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary. As Director of the Company, Mr. TAI Chun Leung is taken to have a duty of disclosure in relation to such shares under the SFO.
- (iv) These represent the interest in underlying shares in respect of the share options granted by the Company, the details of which are set out in the section headed "Share Option Scheme" above.
- (v) Of which, 1,200,000 share options were granted to Dr. TAI Tak Fung, Stephen, JP. Another 800,000 share options were granted to his spouse Dr. WU Mei Yung, Quinly. Dr. TAI Tak Fung, Stephen, JP is therefore deemed to have interest therein.
- (vi) 600,000 share options were granted to his spouse Mdm. LEUNG Mei Han, therefore Mr. LUI Shing Ming, Brian is deemed to have interests therein.



## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

#### (b) Interests in shares and underlying shares of the associated corporation

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

	Number of shares held		Number of underlying shares held under equity derivatives		Total interests as % of the	
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Personal/family interests	Total interests	relevant issued share capital
TAI Tak Fung, Stephen	–	189,760,000 <sup>(i)</sup>	82,000,000 <sup>(ii)</sup>	–	271,760,000	68.01%
YIP Wai Keung	680,000	–	–	–	680,000	0.17%
TAI Chun Leung	–	–	82,000,000 <sup>(iii)</sup>	–	82,000,000	20.52%

Notes:

- (i) Of which, 81,250,000 shares are owned by SAL, which in turn is wholly-owned by Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly. Another 108,510,000 shares are owned by Capital Season Investments Limited, a company wholly-owned by Advance Finance Investments Limited (“AFIL”). Since AFIL is wholly owned by the Company, which in turn is controlled by Dr. TAI Tak Fung, Stephen, JP, SAL, CGL and FSMHL. Therefore, Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in 108,510,000 shares of FSMHL.
- (ii) The shares are owned by CGL 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, JP and his spouse Dr. WU Mei Yung, Quinly. Thus Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.
- (iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary.



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)**

### **(b) Interests in shares and underlying shares of the associated corporation (continued)**

All the interests stated above represent long positions in the shares/underlying shares of the Company. Save as disclosed above, as at 31 March 2005, none of the directors or chief executives of the Company had, or were deemed under the SFO to have, any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Apart from as disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation" and "Share Option Scheme" above, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors or any of their spouses 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.



## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2005, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors and chief executives of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

	Number of shares held				Number of underlying shares held under equity derivatives		Total interests as % of the relevant issued share capital
	Direct/ Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Personal/ family interests	Total interests	
SAL	52,907,250 <sup>(i)</sup>	-	-	-	-	52,907,250	20.94%
CGL	-	-	-	30,914,000 <sup>(iii)</sup>	-	30,914,000	11.97%
WU Mei Yung, Quinly	-	-	53,095,177 <sup>(ii)</sup>	30,914,000 <sup>(iii)</sup>	2,000,000 <sup>(iv)</sup>	86,009,177	33.88%
HSBC International Trustee Limited	-	-	-	30,914,000 <sup>(iv)</sup>	-	30,914,000	11.97%

*Notes:*

- (i) SAL is wholly owned by Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen, JP in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes (continued):

- (ii) Out of the 53,095,177 shares, 187,927 shares are beneficially owned by FSMHL. SAL and CGL in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly-owned by Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is 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, JP and his spouse Dr. WU Mei Yung, Quinly. Accordingly, Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company held by FSMHL. The remaining 52,907,250 shares are owned by SAL, and Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen, JP in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".
- (iii) CGL is 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, JP and Dr. WU Mei Yung, Quinly. This interest is also included as trust and similar interests of Dr. TAI Tak Fung, Stephen, JP in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".
- (iv) HSBC International Trustee Limited is the trustee of the discretionary trust, the Tai Family Trust, referred to in note (iii) above.
- (v) Of which, 800,000 share options were granted to Dr. WU Mei Yung, Quinly. Another 1,200,000 share options were granted to her spouse Dr. TAI Tak Fung, Stephen, JP. Dr. WU Mei Yung, Quinly is therefore deemed to have interest therein. The share options were granted on 11 November 2003, exercisable from 1 May 2004 to 31 October 2005 at an exercise price HK\$0.93. This interest is also included as personal/family interests in the underlying shares held under equity derivatives of Dr. TAI Tak Fung, Stephen, JP in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

All the interests stated above represent long positions in the shares/underlying shares of the Company. Other than as disclosed above, as at 31 March 2005, the Company had not been notified of any persons (other than the directors or chief executives of the Company) who had an interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.





## Report of the Directors

### 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:

	2005 %	2004 %
Purchases		
– the largest supplier	83	88
– five largest suppliers combined	93	96

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

### CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 March 2005, which do not constitute connected transactions under the Listing Rules, are disclosed in note 26 to the accounts.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in notes 19 and 20 to the accounts. The Group had no bank overdrafts as at 31 March 2005.

### LIQUIDITY

Operating revenue was the Group's major source of funds during the financial year. As at 31 March 2005, the Group held cash on hand and bank balances of approximately HK\$179 million (2004: HK\$157 million) whilst trade credit facilities were utilised to the extent of approximately HK\$163 million (2004: HK\$158 million), representing approximately 32% (2004: 36%) of the total banking facilities of HK\$511 million (2004: HK\$441 million).

The Group has a gearing ratio of 0.45 (2004: 0.49) as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' funds.

## LIQUIDITY (continued)

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 fluctuations 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 was obtained to finance the construction of the Group's premises at Sai Kung. The other loans were obtained for working capital purpose.

## PLEDGE OF ASSETS

As at 31 March 2005, the assets (including land and buildings) and issued shares of a subsidiary were pledged as securities for a bank loan granted to the Group.

## CONTINGENT LIABILITIES

As at 31 March 2005, the Group had no contingent liabilities.

## 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. The Group made contributions are made to the MPF Scheme at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month or at a rate above 5% of the employees relevant income as determined by the Group. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$5,000 per month. The Group's contribution to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

## 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 performance in management and operation. As at 31 March 2005, the Group employed a total of 62 full-time employees.



### **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 (in force prior to 1 January 2005) 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 but 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.

### **COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Code throughout the year ended 31 March 2005.

### **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 Effective Audit Committees" published by the Hong Kong Institute of Certified Public 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. On 30 September 2004, Mr. LUI Shing Ming, Brian was appointed as an independent non-executive director and a member of the Audit Committee of the Company. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian. Two meetings were held during the current financial year.

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.



### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Dr. TAI Tak Fung, Stephen, JP**  
*Chairman*

Hong Kong, 20 July 2005